

**REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA**

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**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1990**

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**REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL**

**F-001**

**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1990**

**JANUARY 1991**



Telephone:  
(916) 445-0255

STATE OF CALIFORNIA  
**Office of the Auditor General**  
660 J STREET, SUITE 300  
SACRAMENTO, CA 95814

Kurt R. Sjoberg  
Acting Auditor General

January 30, 1991

F-001

Honorable Robert Campbell, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 2163  
Sacramento, California 95814


Dear Mr. Chairman and Members:

The Office of the Auditor General presents the financial report of the State of California for the year ended June 30, 1990. This financial report includes a financial section with the State's general purpose financial statements presented on a basis in conformity with generally accepted accounting principles (GAAP) and a statistical section with important labor, income, and population statistics.

The financial statements show that the State's General Fund spent approximately \$970 million more than it generated in revenues for the fiscal year ended June 30, 1990, and ended the fiscal year with a fund deficit of \$866 million. The GAAP basis statements include all liabilities owed by the State while the budgetary basis statements that are used to report on the State's budget do not reflect all liabilities.

We conducted this audit to comply with the California Government Code, Section 10534.

Respectfully submitted,

  
KURT R. SJOBERG  
Acting Auditor General

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## **FINANCIAL SECTION**



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STATE OF CALIFORNIA  
**Office of the Auditor General**

660 J STREET, SUITE 300  
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Kurt R. Sjoberg  
Acting Auditor General

**Independent Auditors' Report**

**MEMBERS OF THE JOINT LEGISLATIVE AUDIT COMMITTEE  
STATE OF CALIFORNIA**

We have audited the general purpose financial statements of the State of California as of and for the year ended June 30, 1990, as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these statements based on our audit. We did not audit the financial statements of the pension trust funds, which reflect total assets constituting 78 percent of the fiduciary funds. We also did not audit the financial statements of certain enterprise funds, which reflect total assets and revenues constituting 92 percent and 96 percent, respectively, of the enterprise funds. In addition, we did not audit the University of California funds. The financial statements of the pension trust funds, certain enterprise funds, and the University of California funds referred to above were audited by other auditors who furnished their reports to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, certain enterprise funds, and the University of California funds, is based solely upon the reports of other independent auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State has not maintained adequate fixed asset records for its governmental fund type property, plant, and equipment. Consequently, the General Fixed Assets Account Group is not presented in the accompanying financial statements as required by generally accepted accounting principles.

In our opinion, based upon our audit and the reports of other auditors, and except for the effect of the omission of the General Fixed Assets Account Group, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of California as of June 30, 1990, and the results of its operations and the changes in financial position of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

We have not audited the data included in the statistical section in this report, and accordingly, we express no opinion on that data.

OFFICE OF THE AUDITOR GENERAL

A handwritten signature in cursive script, reading "Curt Davis".

CURT DAVIS, CPA  
Deputy Auditor General

December 14, 1990

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**STATE OF CALIFORNIA**  
**COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUP**  
**As of June 30, 1990**  
**(In Thousands)**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Group	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	University of California
<b>ASSETS</b>								
Cash and pooled investments .....	\$ 146,690	\$1,577,522	\$ 60,797	\$ 3,187,488	\$ 45,940	\$ 10,479,860		\$ 2,470,504
Investments .....				7,332,349		81,517,075		14,150,071
Amount on deposit with U.S. Treasury .....						5,711,842		
Receivables (net) .....	115,203	117,184	11	1,335,072	9,077	3,479,249		1,114,328
Due from other funds .....	2,284,286	3,222,631	536,581	927,363	184,506	3,725,261		285,252
Due from other governments .....	31,149	2,635,748		54,198	2,684	89,492		46,763
Prepaid expenses .....	173,928	148,052	28	2,047	2,832	10,470		
Inventory, at cost .....				16,805	57,713			85,196
Other assets .....	885	17,788	28	281,842	7,008	194,731		232,215
Advances and loans receivable .....	89,369	414,465		6,506,679	17,867	117,698		28,462
Deferred charges .....				1,167,768				31,152
Fixed assets .....				4,718,849	224,619	7,949		8,009,741
Amount to be provided for retirement of long-term obligations .....							\$7,966,207	
Total Assets .....	<u>\$2,841,510</u>	<u>\$8,133,390</u>	<u>\$597,445</u>	<u>\$25,530,460</u>	<u>\$552,246</u>	<u>\$105,333,627</u>	<u>\$7,966,207</u>	<u>\$26,453,684</u>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>Liabilities</b>								
Accounts payable .....	\$ 463,427	\$ 534,874	\$ 78,023	\$ 285,681	\$ 51,754	\$ 2,671,810		\$ 933,932
Due to other funds .....	1,747,377	4,475,371	621,602	1,092,213	55,986	3,054,256		119,075
Due to other governments .....	696,072	947,723	10,554	55,072	214	7,938,888		
Dividends payable .....				42,000				
Advances from other funds .....		895	22,976	452,218	61,407	8,265		28,462
Tax overpayments .....	556,666	27,828				57,973		
Benefits payable .....				3,584,484		450,829		
Deposits .....	19	5,691		221,321	368	1,804,287		168,661
Contracts and notes payable .....				5,319	44,841			
Lottery prizes and annuities .....				1,168,529				
Compensated absences payable .....	91,430			10,017	23,980		\$ 570,687	
Mortgages and other borrowings .....								734,280
Net assets available for benefits .....								13,998,898
Capital lease obligations .....				2,625	12,879		1,384,825	
Advance collections .....	38,652	103,131		977,083	28,724	16,769		
General obligation bonds payable .....				5,063,595			5,168,355	
Revenue bonds payable .....				7,489,155				1,326,974
Interest payable .....	68,941			346,259				
Other liabilities .....	44,980	51,609	307	38,878	1,442	1,154,872	842,340	
Total Liabilities .....	<u>3,707,564</u>	<u>6,147,122</u>	<u>733,462</u>	<u>20,834,449</u>	<u>281,595</u>	<u>17,157,949</u>	<u>7,966,207</u>	<u>17,310,282</u>
<b>Fund Equity</b>								
Contributed capital .....				215,013	93,757			
Investment in general fixed assets .....								6,470,001
Retained earnings								
Reserved for regulatory requirements				434,482				
Unreserved .....				4,046,516	176,894			
Fund balances								
Reserved for encumbrances .....	330,928	1,091,575	397,600					
Reserved for advances and loans .....	89,369	414,465				108,599		
Reserved for employees' retirement system .....						81,101,409		
Reserved for continuing appropriations .....	108,943	585,494	122,251					
Reserved for other specific purposes .....	84,499	60,392				6,965,670		1,369,154
Total Reserved .....	<u>613,739</u>	<u>2,151,926</u>	<u>519,851</u>			<u>88,175,678</u>		<u>7,839,155</u>
Unreserved								
Budgetary basis undesignated-available for appropriation (deficit) ..	(30,546)	(888,098)						
Budgetary to GAAP adjustments ..	(1,449,247)	722,440						
Undesignated (deficit) .....	<u>(1,479,793)</u>	<u>(165,658)</u>	<u>(655,868)</u>					<u>1,304,247</u>
Total Fund Equity (Deficit) .....	<u>(866,054)</u>	<u>1,986,268</u>	<u>(136,017)</u>	<u>4,696,011</u>	<u>270,651</u>	<u>88,175,678</u>		<u>9,143,402</u>
Total Liabilities and Fund Equity .....	<u>\$2,841,510</u>	<u>\$8,133,390</u>	<u>\$597,445</u>	<u>\$25,530,460</u>	<u>\$552,246</u>	<u>\$105,333,627</u>	<u>\$7,966,207</u>	<u>\$26,453,684</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 1990**  
**(In Thousands)**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
<b>Revenues</b>				
Taxes .....	\$37,004,637	\$ 1,463,747		\$3,536,196
Intergovernmental .....		13,533,050		
Licenses and permits .....	151,498	1,374,975		
Natural resources .....	61,026		\$ 86,225	
Insurance premiums .....				419,710
Charges for services .....	136,160	170,158		96,147
Fees .....	379,664	723,661		1,857
Penalties .....	16,448	351,326		
Interest .....	484,747	227,052	35,902	595,186
Other .....	280,818	251,499		168,172
<b>Total Revenues .....</b>	<b>38,514,998</b>	<b>18,095,468</b>	<b>122,127</b>	<b>4,817,268</b>
<b>Expenditures</b>				
<b>Current</b>				
General government .....	1,893,645	847,642		597,121
Education .....	20,287,349	2,580,462		235,518
Health and welfare .....	12,512,066	10,344,877		3,780,554
Resources .....	488,619	868,046		3,214
State and consumer services .....	333,604	235,306		13,007
Business and transportation .....	131,257	3,966,103		23,011
Correctional programs .....	2,238,094	112,303		
Property tax relief .....	948,896			
Capital outlay .....			635,841	
<b>Debt service</b>				
Principal retirement .....	322,095			
Interest and fiscal charges .....	506,987	100,165	55,544	
<b>Total Expenditures .....</b>	<b>39,662,612</b>	<b>19,054,904</b>	<b>691,385</b>	<b>4,652,425</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from general obligation bonds .....		1,036,500	338,500	
Operating transfers in .....	466,764	1,302,750	123,802	179,502
Operating transfers out .....	(289,611)	(1,548,592)	(51,043)	(92,047)
<b>Net Other Financing Sources (Uses) .....</b>	<b>177,153</b>	<b>790,658</b>	<b>411,259</b>	<b>87,455</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses .....</b>	<b>(970,461)</b>	<b>(168,778)</b>	<b>(157,999)</b>	<b>252,298</b>
<b>Fund Balances, July 1, 1989 .....</b>	<b>104,407</b>	<b>2,155,046</b>	<b>21,982</b>	<b>6,821,971</b>
<b>Fund Balances (Deficit), June 30, 1990 .....</b>	<b>\$ (866,054)</b>	<b>\$ 1,986,268</b>	<b>\$ (136,017)</b>	<b>\$7,074,269</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
**For the Fiscal Year Ended June 30, 1990**  
**(In Thousands)**

	General Fund			Special Revenue Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance— Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance— Favorable (Unfavorable)</u>
Revenues						
Taxes .....		\$37,164,691			\$ 142,584	
Intergovernmental .....					13,406,658	
Licenses and permits .....		151,498			1,374,975	
Natural resources .....		61,026				
Charges for services .....		86,544			162,513	
Fees .....		379,664			723,661	
Penalties .....		14,225			321,435	
Interest .....		463,956			333,837	
Other .....		273,091			288,115	
Total Revenues .....		<u>38,594,695</u>			<u>16,753,778</u>	
Expenditures						
Current						
General government .....	\$ 2,108,310	1,849,979	\$258,331	\$ 941,890	846,821	\$ 95,069
Education .....	20,363,187	20,302,619	60,568	2,302,448	2,017,187	285,261
Health and welfare .....	12,745,744	12,455,539	290,205	10,415,381	10,061,896	353,485
Resources .....	499,596	491,543	8,053	1,263,355	1,047,578	215,777
State and consumer services .....	304,043	264,823	39,220	352,114	332,753	19,361
Business and transportation .....	132,183	131,221	962	4,397,125	4,200,495	196,630
Correctional programs .....	2,304,332	2,253,805	50,527	148,385	147,930	455
Property tax relief .....	959,034	948,550	10,484			
Debt service						
Principal retirement .....	320,355	320,355				
Interest and fiscal charges .....	506,810	506,810				
Total Expenditures .....	<u>\$40,243,594</u>	<u>39,525,244</u>	<u>\$718,350</u>	<u>\$19,820,698</u>	<u>18,654,660</u>	<u>\$1,166,038</u>
Other Financing Sources (Uses)						
Proceeds from general obligation bonds .....					1,036,500	
Operating transfers in .....		469,213			5,161,899	
Operating transfers out .....		(289,952)			(3,981,366)	
Other additions .....		17,562				
Net Other Financing Sources (Uses) .....		<u>196,823</u>			<u>2,217,033</u>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses ..		(733,726)			316,151	
Fund Balances (Deficit), July 1, 1989, as restated .....		<u>1,227,550</u>			<u>(558,363)</u>	
Fund Balances (Deficit), June 30, 1990 .....		<u>\$ 493,824</u>			<u>\$ (242,212)</u>	

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS/FUND BALANCES**  
**ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 1990**  
**(In Thousands)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>
Operating Revenues			
Lottery ticket sales .....	\$2,479,661		
Services and sales .....	845,172	\$769,818	
Earned premiums (net) .....	1,806,717		
Investment and interest .....	1,036,200		\$ 8,556,224
Contributions .....			4,990,963
Rent .....	83,112		
Other .....	7,968	5,636	24,386
Total Operating Revenues .....	<u>6,258,830</u>	<u>775,454</u>	<u>13,571,573</u>
Operating Expenses			
Lottery prizes .....	1,240,410		
Personal services .....	214,664	374,504	13,640
Supplies .....	23,277	9,558	
Services and charges .....	740,822	342,065	92,847
Depreciation .....	88,278	48,218	
Benefit payments .....	1,693,818		3,783,426
Interest expense .....	663,860	4,564	
Refunds .....			189,988
Accrual of deferred charges .....	8,334		
Total Operating Expenses .....	<u>4,673,463</u>	<u>778,909</u>	<u>4,079,901</u>
Operating Income (Loss) .....	<u>1,585,367</u>	<u>(3,455)</u>	<u>9,491,672</u>
Nonoperating Revenues (Expenses)			
Grants received .....	1,267		
Grants provided .....	(19,166)		
Interest revenue .....	294,081	4,498	
Interest expense and fiscal charges .....	(191,991)	(3,591)	
Gain on early extinguishment of debt .....	111		
Other .....	8,577		
Net Nonoperating Revenues (Expenses) ..	<u>92,879</u>	<u>907</u>	
Operating transfers in .....	58,240	14,775	
Operating transfers out .....	(60,801)	(16,875)	
Operating Transfers .....	<u>(2,561)</u>	<u>(2,100)</u>	
Net Income (Loss) .....	1,675,685	(4,648)	9,491,672
Dividends paid .....	(254,373)		
Lottery payments for education .....	(929,448)		
Retained Earnings/Fund Balances July 1, 1989 ...	<u>3,989,134</u>	<u>181,542</u>	<u>71,609,737</u>
Retained Earnings/Fund Balances June 30, 1990 ..	<u>\$4,480,998</u>	<u>\$176,894</u>	<u>\$81,101,409</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**ALL PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 1990**  
**(In Thousands)**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b>Sources of Financial Resources</b>		
From operations		
Net income (loss) .....	\$1,675,685	\$ (4,648)
Add (deduct) items not affecting cash		
Depreciation .....	88,278	48,218
Amortization of bond discounts .....	3,319	
Gain on early extinguishment of debt .....	(111)	
Amortization of deferred expenses .....	4,995	
Accrual of deferred credits .....	24,549	
Imputed interest earnings .....	19,667	
Total Sources From Operations .....	1,816,382	43,570
Proceeds from sale of investments .....	1,054,306	
Collection of advances and loans .....	434,837	1,206
Proceeds from sale of fixed assets .....	290,493	6,689
Increase in advances from other funds .....	28,992	6,377
Increase in benefits payable .....	668,929	
Increase in contracts and notes payable .....	1,834	3,638
Increase in lottery prizes and annuities .....	313,568	
Increase in capital lease obligations .....		22
Issuance of general obligation and revenue bonds .....	1,331,139	
Addition to contributed capital .....	2,238	3,632
Decrease in due from other governments .....	133,914	
Decrease in prepaid expenses .....		1,748
Decrease in inventory .....	3,504	
Decrease in other assets .....	4,114	446
Increase in accounts payable .....	82,199	
Increase in due to other funds .....	342,167	27,791
Increase in due to other governments .....	4,488	143
Increase in deposits .....	218,805	
Increase in compensated absences payable .....	720	4,279
Increase in advance collections .....	24,215	2,751
Increase in interest payable .....	52,338	
Increase in other liabilities .....	1,193	192
Total Sources .....	6,810,375	102,484
<b>Uses of Financial Resources</b>		
Purchase of investments .....	1,915,011	
Advances and loans provided .....	516,012	2,320
Acquisition of fixed assets .....	315,200	71,566
Decrease in advances from other funds .....	377,146	1,190
Decrease in contracts and notes payable .....	1,277	321
Decrease in capital lease obligations .....	4,814	2,696
Retirement of general obligation and revenue bonds .....	702,871	
Addition to unamortized water project costs .....	5,447	
Dividends paid .....	254,373	
Lottery payments to education .....	929,448	
Increase in accounts receivable .....	600,707	5,319
Increase in due from other funds .....	375,509	55,404
Increase in prepaid expenses .....	1,225	
Increase in inventory .....		8,998
Increase in other assets .....	235,319	2,296
Decrease in dividends payable .....	12,000	
Decrease in other liabilities .....	10,614	160
Total Uses .....	6,256,973	150,270
Net Increase (Decrease) in Cash and Pooled Investments .....	\$ 553,402	\$ (47,786)

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
COMBINED BALANCE SHEET  
UNIVERSITY OF CALIFORNIA FUNDS  
As of June 30, 1990  
(In Thousands)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment &amp; Similar Funds</u>	<u>Plant Funds</u>	<u>Retirement System Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and pooled investments ...	\$ 942,460	\$ 39,456	\$155,325	\$1,030,908	\$ 302,355	\$ 2,470,504
Investments .....			692,147		13,457,924	14,150,071
Receivables (net) .....	645,651	246,675	4,865		217,137	1,114,328
Due from other funds .....	166,177				119,075	285,252
Due from other governments....	46,763					46,763
Inventory .....	85,196					85,196
Other assets .....	224,766			7,449		232,215
Advances and loans receivable.....			28,462			28,462
Deferred charges .....	31,152					31,152
Fixed assets .....				8,009,741		8,009,741
Total Assets .....	<u>\$2,142,165</u>	<u>\$286,131</u>	<u>\$880,799</u>	<u>\$9,048,098</u>	<u>\$14,096,491</u>	<u>\$26,453,684</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable .....	\$ 792,762		\$ 5,322	\$ 46,098	\$ 89,750	\$ 933,932
Due to other funds .....	105,669			5,563	7,843	119,075
Advances from other funds .....		\$ 2,000		26,462		28,462
Deposits .....	110,622		58,039			168,661
Mortgages and other borrowings.....				734,280		734,280
Net assets available for benefits .....					13,998,898	13,998,898
Revenue bonds payable.....		53,714		1,273,260		1,326,974
Total Liabilities .....	<u>1,009,053</u>	<u>55,714</u>	<u>63,361</u>	<u>2,085,663</u>	<u>14,096,491</u>	<u>17,310,282</u>
<b>Fund Equity</b>						
Investment in general fixed assets.....				6,470,001		6,470,001
<b>Fund balances</b>						
Reserved for other specific purposes .....	403,798	187,177	548,791	229,388		1,369,154
Undesignated .....	729,314	43,240	268,647	263,046		1,304,247
Total Fund Equity.....	<u>1,133,112</u>	<u>230,417</u>	<u>817,438</u>	<u>6,962,435</u>		<u>9,143,402</u>
Total Liabilities and Fund Equity .....	<u>\$2,142,165</u>	<u>\$286,131</u>	<u>\$880,799</u>	<u>\$9,048,098</u>	<u>\$14,096,491</u>	<u>\$26,453,684</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
UNIVERSITY OF CALIFORNIA CURRENT FUNDS  
For the Fiscal Year Ended June 30, 1990  
(In Thousands)**

<b>Revenues and Other Additions</b>	
Tuition and fees .....	\$ 464,562
Federal appropriations, grants, and contracts .....	962,490
State appropriations, grants, and contracts .....	2,227,606
Private gifts, grants, and contracts .....	330,138
Sales and services	
Educational activities .....	459,895
Auxiliary enterprises .....	418,146
Teaching hospitals .....	1,257,052
Local government .....	47,265
Major Department of Energy laboratories .....	2,292,046
Other .....	297,372
<b>Total Revenues and Other Additions .....</b>	<b><u>8,756,572</u></b>
<b>Expenditures and Other Deductions</b>	
Instruction .....	1,562,329
Research .....	1,078,061
Public services .....	141,906
Academic support .....	590,287
Teaching hospitals .....	1,243,552
Student services .....	221,259
Institutional support .....	369,665
Operation and maintenance of plant .....	272,134
Student financial aid .....	213,255
Auxiliary enterprises .....	355,424
Major Department of Energy laboratories .....	2,279,609
Other .....	20,027
<b>Total Expenditures and Other Deductions .....</b>	<b><u>8,347,508</u></b>
<b>Other Financing Uses</b>	
Transfers out .....	<u>(260,487)</u>
<b>Net Increase in Fund Balance .....</b>	<b>148,577</b>
<b>Fund Balances, July 1, 1989 .....</b>	<b><u>984,535</u></b>
<b>Fund Balances, June 30, 1990 .....</b>	<b><u><u>\$1,133,112</u></u></b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CHANGES IN FUND BALANCES**  
**UNIVERSITY OF CALIFORNIA FUNDS**  
**For the Fiscal Year Ended June 30, 1990**  
**(In Thousands)**

	<u>Current Funds</u>	<u>Loan Funds</u>	<u>Endowment &amp; Similar Funds</u>	<u>Plant Funds</u>
Revenues and Other Additions				
Unrestricted current fund revenues				
General .....	\$3,211,645			
Auxiliary enterprises and hospitals ..	1,675,198			
Restricted gifts, grants, and contracts ..	3,572,357	\$ 737	\$ 25,362	\$ 72,374
Investment and interest income .....	147,510	3,241	3,041	71,259
Net gain (loss) on sale of investments..	(3,114)		65,170	
Governmental grants and contracts.....		3,691		755
Debt service fees .....				7,715
Governmental appropriations .....				74,566
Expended for plant facilities (including \$301,614 financed from current funds) .....				433,541
Retirement of indebtedness .....				135,750
Other .....	<u>152,976</u>	<u>9,206</u>	<u>67</u>	<u>4,032</u>
Total Revenues and Other Additions .....	<u>8,756,572</u>	<u>16,875</u>	<u>93,640</u>	<u>799,992</u>
Expenditures and Other Deductions				
Current fund expenditures .....	8,327,481			
Plant fund expenditures .....				159,307
Debt service				
Principal retirement .....				135,750
Interest .....				106,126
Disposals of plant assets .....				93,434
Other .....	<u>20,027</u>	<u>5,623</u>	<u>2,113</u>	<u>191</u>
Total Expenditures and Other Deductions .....	<u>8,347,508</u>	<u>5,623</u>	<u>2,113</u>	<u>494,808</u>
Transfers in (out) .....	<u>(260,487)</u>	<u>(166)</u>	<u>7,896</u>	<u>252,757</u>
Net Increase in Fund Balances ...	148,577	11,086	99,423	557,941
Fund Balances, July 1, 1989 .....	<u>984,535</u>	<u>219,331</u>	<u>718,015</u>	<u>6,404,494</u>
Fund Balances, June 30, 1990 .....	<u>\$1,133,112</u>	<u>\$230,417</u>	<u>\$817,438</u>	<u>\$6,962,435</u>

See the notes accompanying the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Definition of the Reporting Entity

The general purpose financial statements present information on the financial activities of the State of California over which the governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. The financial statements include accounts of various boards, commissions, agencies, authorities, retirement systems, the workers' compensation insurance fund, and the State's public universities.

### 2. Summary of Significant Accounting Policies

#### A. Basis of Presentation

The accompanying financial statements present the financial position and the results of operations of the State for the year ended June 30, 1990. Except for the University of California and the State Compensation Insurance Fund, as explained below, the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, by the Financial Accounting Standards Board, and by the American Institute of Certified Public Accountants. The financial statements of the University of California have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and by the Governmental Accounting Standards Board.

The University of California receives an annual appropriation from the State's General Fund. For the year ended June 30, 1990, approximately \$2.1 billion was accrued or disbursed from the General Fund to the University of California. This amount is reported as expenditures in the General Fund and as revenues in the University of California funds. Since this amount originally came from General Fund revenues and was ultimately spent in the University of California funds, revenues and expenditures in the amount of \$2.1 billion are reported twice in the accompanying financial statements.

The financial statements of the State Compensation Insurance Fund have been prepared in conformity with accounting practices prescribed or permitted by the Department of Insurance of the State of California, which is a comprehensive basis of accounting other than GAAP. The financial statements of the State Compensation Insurance Fund, included in the State's general purpose financial statements, are as of and for the year ended December 31, 1989. The State Compensation Insurance Fund represents 19.2 percent and 33.2 percent, respectively, of the assets and revenues of the enterprise funds.

#### B. Fund Accounting

The financial activities of the State accounted for in the accompanying financial statements have been classified as follows:

##### *Governmental Fund Types*

The governmental fund types are used primarily to account for services provided to the general public without charging directly for those services. The State has three governmental fund types:

*The General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that do not need to be accounted for in another fund.

*Special Revenue Funds* account for transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Projects Funds* account for transactions related to resources obtained and used to acquire or construct major capital facilities.

#### *Proprietary Fund Types*

The proprietary fund types present financial data on state activities that are similar to those found in the private sector. Users are charged for the goods or services provided. The proprietary fund types are as follows:

*Enterprise Funds* account for goods or services provided to the general public on a continuing basis either when the State intends that all or most of the cost involved is to be financed by user charges or when periodic measurement of the results of operations is appropriate for management control, accountability, or other purposes.

*Internal Service Funds* account for goods or services provided to other funds, agencies, departments, or governments on a cost-reimbursement basis.

#### *Fiduciary Fund Types*

The fiduciary fund types are used to account for assets held by the State, which acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. The fiduciary fund types are as follows:

*Expendable Trust Funds* account for assets held in a trustee capacity when both principal and income may be expended in the course of a fund's designated operations.

*Pension Trust Funds* account for transactions, assets, liabilities, and net assets available for plan benefits of the retirement systems.

*Agency Funds* account for assets held by the State, which acts as an agent for individuals, private organizations, other governments, or other funds. They are custodial in nature and do not measure the results of operations.

#### *General Long-Term Obligations Account Group*

This account group records unmatured general obligation bonds and other long-term obligations generally expected to be financed from governmental funds.

#### *University of California*

The University of California uses the following types of funds to account for its activities:

*Current Funds* account for unrestricted funds that are expendable in pursuing the objectives of the University of California, over which the Regents of the University of California retain control, and for externally restricted funds that may be used only in accordance with specified purposes.

*Loan Funds* account for resources available primarily for loans to students. In addition, certain resources are also available for loans to faculty and staff.

*Endowment and Similar Funds*—Endowment funds are invested in perpetuity, and the income is used in accordance with restrictions imposed by donors. Funds functioning as endowments are established by the Regents of the University of California; the principal is maintained while the income may be expended.

*Plant Funds* account for resources available to acquire properties, to service the debt related to properties, to provide for the renewal and replacement of properties, and to account for funds invested in properties. Fixed assets of major laboratories of the United States Department of Energy are federally owned and are not included in the plant funds.

*Retirement System Funds* account for assets and liabilities of the University of California Retirement System. Certain employees of the University of California are members of the Public Employees' Retirement System.

C. *Basis of Accounting*

*Governmental Fund Types,  
Expendable Trust Funds, and Agency Funds*

The accounts of the governmental fund types and expendable trust funds are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. Tax revenues generally are recognized when cash is received and are adjusted when overpayments and underpayments of taxes can be identified. Other revenue sources are recorded when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months.

The State's accounting practices include an exception to the modified accrual basis of accounting with respect to vacation-leave expenditures. These expenditures are recorded when paid because no satisfactory basis exists for determining the current liability. However, the liability for earned vacation of academic-year faculty of the California State University and the special schools of the California State Department of Education is accrued at June 30, as explained in Note 10.

The State also uses encumbrance accounting for budgetary control purposes. On the financial statements prepared in accordance with GAAP, encumbrances are shown as a reservation of fund balance.

Agency funds are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the modified accrual basis of accounting.

*Proprietary Fund Types and Pension Trust Funds*

The accounts of these fund types are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when the liabilities are incurred. Lottery revenue and the related prize expense are recognized when tickets are sold. Lottery prize expense is based upon a predetermined prize structure. Grand prizes of \$100,000 or more from the Lotto game are payable in deferred installments. Grand prizes of \$1 million or more from the instant ticket game are also payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

*University of California*

The University of California funds are accounted for on the accrual basis of accounting except for depreciation, which is recorded only on the investments of endowment and similar funds in real estate. Accrued compensated absences and other immaterial accruals and deferrals are omitted.

D. *Fixed Assets*

*General Fixed Assets Account Group*

The General Fixed Assets Account Group is not presented on the combined balance sheet.

*Proprietary Fund Types*

Fixed assets, consisting of property, plant, and equipment, are stated either at cost or at fair market value at the date of acquisition, less accumulated depreciation. (See Note 9 for

detail.) They are depreciated over their estimated useful lives ranging from 3 to 100 years using the straight-line method of depreciation. Water projects, which represent 58.9 percent of the fixed assets of the enterprise funds, are depreciated over their service lives ranging from 30 to 100 years. Toll bridge and California State University dormitory facilities, which represent 16.8 percent and 8.6 percent, respectively, of the fixed assets of the enterprise funds, are not depreciated.

#### *Fiduciary Fund Types*

Equipment in the pension trust funds is recorded at cost. The fixed assets are not depreciated.

#### *University of California*

Plant and equipment assets are recorded at cost if purchased. They are recorded at fair market value at the date of acquisition if donated. The fixed assets of the plant funds are not depreciated.

#### *E. Budgetary Accounting*

The State's annual budget is prepared on a modified accrual basis. The governor recommends a budget for approval by the Legislature each fiscal year. Under state law, the State cannot adopt a spending plan that exceeds anticipated revenues.

Under the state constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the budget act, as approved by the Legislature and signed by the governor, are the primary sources of annual expenditure authorizations. The budget can be amended throughout the year by special legislative appropriations, budget revisions, or executive orders. Amendments to the initial budget for fiscal year 1989-90 were legally made, and they are included in the budget data in the accompanying financial statements.

Appropriations are generally available for expenditure or encumbrance either in the fiscal year appropriated or for a period of three years if the legislation does not specify a period of availability. Some appropriations continue indefinitely and are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period of availability of the appropriation. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall control of appropriations.

### **3. Budgetary Basis Financial Statements**

#### *A. Budgeted Revenues*

In the annual budgeting process, the governor estimates revenues. However, revenues are not included in the budget adopted by the Legislature.

#### *B. General Fund Reconciliation of Budgetary Basis With GAAP Basis*

The State annually reports the State's financial condition based on GAAP (GAAP basis) and also based on the State's budgetary provisions (budgetary basis). The State of California Annual Report (the budgetary basis financial report) is prepared in accordance with statutory and regulatory requirements and is used for reporting on the execution of the State's budget. The accounting records of state agencies are maintained on the budgetary basis for the primary purpose of maintaining accountability of the State's budget and other fiscal legislation; these

records are used as the basis for audit. After the budgetary basis financial report is prepared, adjustments are made to prepare the GAAP basis financial statements.

The accompanying Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual (Budgetary Basis) is compiled on the budgetary basis. This statement is reconciled to the general purpose financial statements prepared in accordance with GAAP as shown below. The primary differences between the budgetary basis accounting practices and GAAP are as follows:

*Medi-Cal Program Liability*

Medi-Cal (California Medical Assistance Program) expenditures are, by law, accounted for on a cash basis. They are reported on the accrual basis in accordance with GAAP.

*Advances and Loans Receivable*

Loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets.

*Tax Overpayments*

On the budgetary basis, all tax receipts are recorded as revenues. On the GAAP basis, the portion of receipts representing taxpayer overpayments are accrued as liabilities.

*Restatement of Fund Balance*

In prior fiscal years, the State reported encumbrances—goods and services that are ordered but not received by the end of the year—as expenditures on the budgetary basis. Beginning with the fiscal year ended June 30, 1990, the State changed the budgetary basis of accounting for encumbrances in the General Fund. The budgetary basis for the General Fund now reports encumbrances in the same manner as the GAAP basis, that is, as a reservation of fund balance, reduced to reflect anticipated reimbursements.

In addition, the beginning fund balance of the General Fund on the budgetary basis is adjusted to reflect the difference between the net expenditures and revenues that were accrued the previous June 30 and the amount of actual revenues and net expenditures that were subsequently realized. The beginning fund balance on the GAAP basis is not affected by these adjustments.

*Other*

The primary adjustment is for compensated absences. As discussed in Note 10, the compensated absences liability of \$91 million is for earned vacation of faculty of the California State University and of the special schools of the California State Department of Education. This liability is not recorded on the budgetary basis.

In addition, certain reclassifications are necessary to present the financial statements in accordance with GAAP.

**STATE OF CALIFORNIA  
GENERAL FUND  
RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS  
As of and for the Year Ended June 30, 1990  
(In Thousands)**

	Budgetary Basis	Medi-Cal Program Liability	Adjustments to the Budgetary Basis				GAAP Basis
			Advances and Loans Receivable	Tax Overpayments	Restatement of Fund Balance	Other	
<b>ASSETS</b>							
Cash and pooled investments .....	\$ 146,690						\$ 146,690
Receivables (net) .....	115,203						115,203
Due from other funds .....	2,279,778	\$ (5,245)				\$ 9,753	2,284,286
Due from other governments .....	31,149						31,149
Prepaid expenses .....	173,928						173,928
Other assets .....	885						885
Advances and loans receivable .....	4,205		\$ 89,369			(4,205)	89,369
Total Assets .....	<u>\$ 2,751,838</u>	<u>\$ (5,245)</u>	<u>\$ 89,369</u>			<u>\$ 5,548</u>	<u>\$ 2,841,510</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable .....	\$ 517,761					\$(54,334)	\$ 463,427
Due to other funds .....	931,204	\$ 793,354				22,819	1,747,377
Due to other governments .....	638,119					57,953	696,072
Tax overpayments .....				\$ 556,666			556,666
Deposits .....	19						19
Compensated absences payable .....						91,430	91,430
Advance collections .....	38,652						38,652
Interest payable .....	87,279					(18,338)	68,941
Other liabilities .....	44,980						44,980
Total Liabilities .....	<u>2,258,014</u>	<u>793,354</u>		<u>556,666</u>		<u>99,530</u>	<u>3,707,564</u>
<b>Fund Equity</b>							
Fund balances							
Reserved for encumbrances .....	330,928						330,928
Reserved for advances and loans .....			\$ 89,369				89,369
Reserved for continuing appropriations .....	108,943						108,943
Reserved for other specific purposes .....	84,499						84,499
Total Reserved .....	524,370		89,369				613,739
Unreserved							
Undesignated (deficit) .....	(30,546)	(798,599)		(556,666)		(93,982)	(1,479,793)
Total Fund Equity (Deficit) .....	<u>493,824</u>	<u>(798,599)</u>	<u>89,369</u>	<u>(556,666)</u>		<u>(93,982)</u>	<u>(866,054)</u>
Total Liabilities and Fund Equity .....	<u>\$ 2,751,838</u>	<u>\$ (5,245)</u>	<u>\$ 89,369</u>	<u>\$ 0</u>		<u>\$ 5,548</u>	<u>\$ 2,841,510</u>
<b>REVENUES</b>							
Taxes .....	\$37,164,691			\$(146,919)	\$(13,135)		\$37,004,637
Licenses and permits .....	151,498						151,498
Natural resources .....	61,026						61,026
Charges for services .....	86,544					\$ 49,616	136,160
Fees .....	379,664						379,664
Penalties .....	14,225					2,223	16,448
Interest .....	463,956		\$ 15,773			5,018	484,747
Other .....	273,091					7,727	280,818
Total Revenues .....	<u>38,594,695</u>		<u>15,773</u>	<u>(146,919)</u>	<u>(13,135)</u>	<u>64,584</u>	<u>38,514,998</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government .....	1,849,979		1,632		(6,469)	48,503	1,893,645
Education .....	20,302,619				(29,036)	13,766	20,287,349
Health and welfare .....	12,455,539	\$ 60,692			5,157	(9,322)	12,512,066
Resources .....	491,543				(2,924)		488,619
State and consumer services .....	264,823		69,138		(357)		333,604
Business and transportation .....	131,221				36		131,257
Correctional programs .....	2,253,805		1,871		(17,582)		2,238,094
Property tax relief .....	948,550				346		948,896
<b>Debt service</b>							
Principal retirement .....	320,355					1,740	322,095
Interest and fiscal charges .....	506,810					177	506,987
Total Expenditures .....	<u>39,525,244</u>	<u>60,692</u>	<u>72,641</u>		<u>(50,829)</u>	<u>54,864</u>	<u>39,662,612</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in .....	469,213		(10,911)			8,462	466,764
Operating transfers out .....	(289,952)		2,001			(1,660)	(289,611)
Other additions .....	17,562					(17,562)	
Net Other Financing Sources (Uses) .....	<u>196,823</u>		<u>(8,910)</u>			<u>(10,760)</u>	<u>177,153</u>
<b>Excess of Revenues and Other Sources Over (Under)</b>							
Expenditures and Other Uses .....	<u>(733,726)</u>	<u>(60,692)</u>	<u>(65,778)</u>	<u>(146,919)</u>	<u>37,694</u>	<u>(1,040)</u>	<u>(970,461)</u>
Fund Balance July 1, 1989, as restated .....	<u>1,227,550</u>	<u>(737,907)</u>	<u>155,147</u>	<u>(409,747)</u>	<u>(37,694)</u>	<u>(92,942)</u>	<u>104,407</u>
Fund Balance (Deficit), June 30, 1990 .....	<u>\$ 493,824</u>	<u>\$(798,599)</u>	<u>\$ 89,369</u>	<u>\$(556,666)</u>	<u>\$ 0</u>	<u>\$(93,982)</u>	<u>\$( 866,054)</u>

*C. Special Revenue Fund Reconciliation of Budgetary Basis With GAAP Basis*

The primary differences between the budgetary basis accounting practices and GAAP for special revenue funds are as follows:

*Grant Commitments to Local Agencies*

Grants to local agencies are recorded as expenditures on the budgetary basis when the commitments are made. In accordance with GAAP, these commitments are not recognized as expenditures until the local agencies have incurred a liability.

*Encumbrances*

Encumbrances—goods and services that are ordered but not received by the end of the year—are recorded as expenditures on the budgetary basis. In accordance with GAAP, encumbrances are reported as a reservation of fund balance, reduced to reflect anticipated reimbursements.

*Advances and Loans Receivable*

Loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets.

*Other*

Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. These other items include amounts designated for future highway construction, deposits for condemnation proceedings, liabilities for claims arising from lawsuits, and various miscellaneous items.

**STATE OF CALIFORNIA  
SPECIAL REVENUE FUNDS  
RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS  
As of June 30, 1990  
(In Thousands)**

Budgetary Basis Fund Balance (Deficit) .....	\$ (242,212)
Grant commitments to local agencies .....	828,438
Encumbrances .....	1,091,575
Advances and loans receivable .....	414,465
Other .....	<u>(105,998)</u>
GAAP Basis Total Fund Equity .....	<u><u>\$1,986,268</u></u>

**D. Budgetary Basis Undesignated Fund Balance—Available for Appropriation**

The budgetary basis undesignated fund balance available for appropriation represents the amount of funding available to finance the State's budgetary plan for the next year. However, there was a deficit in this account as of June 30, 1990. Thus, there was no funding available from the current year to finance the fiscal year 1990-91 budgetary plan. The following schedule reconciles the budgetary basis fund balance to the budgetary basis undesignated—available for appropriation and the GAAP basis undesignated fund balance.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
Budgetary Basis Fund Balance (Deficit) .....	\$ 493,824	\$(242,212)
Reserved for encumbrances .....	(330,928)	
Reserved for continuing appropriations .....	(108,943)	(585,494)
Reserved for other specific purposes .....	<u>(84,499)</u>	<u>(60,392)</u>
Unreserved		
Budgetary Basis Undesignated—Available for Appropriation (Deficit) .....	<u>(30,546)</u>	<u>(888,098)</u>
GAAP Basis Adjustments:		
Liability for the Medi-Cal Program .....	(798,599)	
Tax overpayments .....	(556,666)	
Grant commitments to school districts .....		828,438
Other .....	<u>(93,982)</u>	<u>(105,998)</u>
GAAP Basis Undesignated (Deficit) .....	<u><u>\$(1,479,793)</u></u>	<u><u>\$(165,658)</u></u>

**4. Temporary Fund Equity Deficits in Certain Special Revenue and Capital Projects Funds (GAAP Basis)**

The special revenue fund type had a positive fund equity as of June 30, 1990. However, 20 of the 29 special revenue funds that receive bond proceeds had deficits at June 30, 1990. Additionally, 8 of the 10 capital projects funds that receive bond proceeds had deficits at June 30, 1990. These deficits result from the way the State has financed certain projects since the passage of the Federal Tax Reform Act of 1986. The State, before issuing bonds, temporarily borrows from its own pooled investments to pay project costs. These loans are recorded as a liability of the fund rather than being recorded in the General Long-Term Obligations Account Group. Because both the liability and the cash proceeds from the loan are reported in the fund, any expenditure recorded in the fund creates a temporary deficit. The deficit will be eliminated when the State later issues the bonds and uses the proceeds to repay the loan.

At June 30, 1990, the deficits in the 20 special revenue funds totaled \$1.057 billion. All of these funds had bonds authorized but unissued that exceeded their deficit. In total, these funds had \$4.549 billion in authorized but unissued bonds.

At June 30, 1990, the deficits in the 8 capital projects funds totaled \$376 million. Each of these funds had bonds authorized but unissued that exceeded its deficit. In total, these funds had \$1.661 billion in authorized but unissued bonds.

## 5. Pooled Investment Loans

As discussed in Note 4, the State made loans to various state bond programs from its pooled investments during fiscal year 1989-90. The following schedule shows the loan balances by fund type at June 30, 1990 (in thousands):

<u>Fund Type</u>	<u>Outstanding Loans at June 30, 1990</u>	<u>Amount Disbursed</u>	<u>Available Balance</u>
Special revenue .....	\$1,666,178	\$1,128,771	\$ 537,407
Capital projects .....	612,938	325,478	287,460
Enterprise .....	825,697	437,935	387,762
Agency .....	30,740	10,721	20,019
Total .....	<u>\$3,135,553</u>	<u>\$1,902,905</u>	<u>\$1,232,648</u>

## 6. Cash and Pooled Investments, Investments, and Reverse Repurchase Agreements

The State Treasurer's Office and the treasurer of the Regents of the University of California each administer a pooled investment program. These programs enable the treasurers to combine available cash from all funds within their respective systems and to invest cash that exceeds current needs. The enterprise funds, trust and agency funds, and University of California funds also have separate investments.

The State Treasurer's Office has agreements with certain banks to maintain cash on deposit that does not earn interest income for the State. Income earned on these deposits compensates the banks for services and uncleared checks that are deposited in the State's accounts. At June 30, 1990, the agreements provided that the State maintain approximately \$84 million on deposit to compensate the banks for services and \$226 million to compensate the banks for uncleared checks.

As of June 30, 1990, the average remaining life of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 7 months. The average remaining life of the securities in the pooled investment program administered by the treasurer of the Regents of the University of California was approximately 18 months. These securities are reported at cost if purchased and at market value at the date of acquisition if donated.

The following sections, A through C, relate to the activities of the State, excluding the University of California. Section D presents the investments of the University of California.

### A. Deposits

All demand and time deposits, which total approximately \$684 million, that were held by financial institutions at year end were insured by federal depository insurance or by collateral held by the State or by an agent of the State in the State's name. The California Government Code requires collateral pledged for demand and time deposits to be held by the State Treasurer's Office.

As of June 30, 1990, the State had amounts on deposit with fiscal agents totaling \$16 million. These deposits, which were for principal and interest payments due to bond holders, are required by federal banking regulations to be collateralized.

### B. Investments

State statutes, bond resolutions, and investment policy resolutions allow the State to invest in United States government securities, Canadian government securities, state and municipal securities, certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, mortgage loans and notes, other debt securities, repurchase agreements, equity securities, real estate, investment agreements, mutual funds, and other investments.

All investments reported as of June 30, 1990, were insured or registered in the State's name or held by the State or an agent of the State in the State's name except for \$869 million in the enterprise funds and \$121 million in the trust and agency funds. These investments included uninsured and unregistered investments held by an agent of the State of which \$257 million are in the State's name and \$733 million are not in the State's name. The types of investments reported at year end are representative of the types of investments made during the fiscal year. Furthermore, the credit risk associated with the investments reported at year end is representative of the credit risk associated with investments made during the fiscal year.

The following table presents the carrying value and market value of the investments that were reported by the State on June 30, 1990.

**INVESTMENTS  
AS OF JUNE 30, 1990  
(In Thousands)**

	<u>Pooled Investments</u>		<u>Separately Invested Funds</u>			
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u>	<u>Carrying Value</u>	<u>Market Value</u>
U.S. government securities and U.S. government agency securities .....	\$ 3,404,210	\$ 3,603,839	\$3,974,207	\$4,138,228	\$ 5,433,382	\$ 5,793,968
Canadian government securities .....			78,455	86,393		
State and municipal securities .....			66,452	66,502		
Certificates of deposit ..	2,546,839	2,549,476	26	26	1,148,454	1,148,454
Bankers' acceptances ...	3,941,801	3,982,889	9,926	9,926	128,981	128,981
Commercial paper .....	3,356,197	3,356,197	91,554	91,554	1,344,527	1,344,527
Corporate bonds .....	2,143,866	2,153,049	1,660,308	1,664,549	8,058,882	8,073,475
Mortgage loans and notes .....					11,005,323	11,479,813
Other debt securities ...					15,010,604	15,282,025
Repurchase agreements					156,585	156,585
Equity securities .....			2,703	4,640	26,662,430	35,115,706
Real estate .....					5,791,701	5,949,349
Investment agreements			1,402,718	1,402,718	52,721	52,721
Mutual funds .....					208,665	208,805
Other investments .....			46,000	46,000	6,514,820	6,504,750
<b>Total Investments ..</b>	<b>\$15,392,913</b>	<b>\$15,645,450</b>	<b>\$7,332,349</b>	<b>\$7,510,536</b>	<b>\$81,517,075</b>	<b>\$91,239,159</b>

The market values of the investments in certain certificates of deposit, commercial paper, and repurchase agreements approximate their carrying values because of the short-term nature of those securities.

Included in the investments of the enterprise funds are the investments of the State Compensation Insurance Fund as of and for the year ended December 31, 1989. The State Compensation Insurance Fund represents 55 percent and 56 percent, respectively, of the carrying value and market value of the enterprise funds' investments.

**C. Reverse Repurchase Agreements**

The California Government Code allows the State to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract amount of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the State or provide securities or cash of equal

value, the State will suffer an economic loss equal to the difference between the market value plus the accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 1989-90, the State entered into 29 reverse repurchase agreements by temporarily selling investments with a carrying value of approximately \$2.3 billion. At June 30, 1990, the State did not have any reverse repurchase agreements.

#### *D. Investments of the University of California*

As discussed in Note 2A, the financial statements of the University of California have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and by the Governmental Accounting Standards Board. The investments of the endowment and similar funds and the investments of the pooled investment program are reported at cost if purchased. They are recorded at market value at the date of acquisition if donated. The investments of the University of California Retirement System Funds are reported at market value as of June 30, 1990. However, on September 30, 1990, the date of the most recent audited valuation, the market value of common stocks held by the University of California Retirement System Funds, had decreased by approximately \$1.2 billion. As of June 30, 1990, the pooled and temporary investments had a carrying value of approximately \$2.4 billion, which approximates market value.

The following schedule presents the investments other than those of the pooled investment program as of June 30, 1990 (in thousands):

	Endowment and Similar Funds		University of California Retirement System Funds	
	Carrying Value	Market Value	Carrying Value	Market Value
Common stocks .....	\$376,634	\$ 821,974	\$4,583,306	\$ 8,621,408
Bonds .....	197,579	200,874	2,347,034	2,446,986
Bond substitutes .....	103,887	180,212	998,721	1,534,393
Mortgage loans and notes .....	4,540	4,250	1,997	1,812
Miscellaneous investments .....	3,225	3,225	853,325	853,325
Real estate .....	6,282			
Total .....	<u>\$692,147</u>	<u>\$1,210,535</u>	<u>\$8,784,383</u>	<u>\$13,457,924</u>

#### **7. Restricted Assets**

The following schedule presents a summary of the legal restrictions on assets of the enterprise funds and the purposes for which the assets were restricted as of June 30, 1990 (in thousands):

<u>Purpose</u>	<u>Cash and Pooled Investments</u>	<u>Investments</u>	<u>Due From Other Funds</u>	<u>Other Assets</u>
Debt service .....	\$1,684,338	\$947,888	\$ 1,263	
Construction .....	441,601		10,872	
Deposits .....	2,683			\$218,638
Equipment repair and replacement .....	47,912		1,709	
Operations .....	4,677			
Total Restricted Assets .....	<u>\$2,181,211</u>	<u>\$947,888</u>	<u>\$13,844</u>	<u>\$218,638</u>

#### **8. Deferred Charges**

The deferred charges account in the enterprise fund type represents operating and maintenance costs and unrecovered capital costs that will be recognized as expenses over the remaining life of long-term state water project contracts because these costs are billable in future years. In addition, the account includes imputed interest earnings on unrecovered capital and operating costs that are recorded as deferred charges until they are billed in future years under the terms of the state water project contracts.

## 9. Fixed Assets

The following schedule summarizes the fixed assets of the enterprise funds, internal service funds, pension trust funds, and the University of California as of June 30, 1990 (in thousands):

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>	<u>University of California</u>
State water projects .....	\$3,220,028			
Toll facilities .....	757,711			
Other land, improvements, buildings, and equipment .....	764,201	\$390,069	\$7,949	\$7,330,270
Construction in progress .....	832,296			679,471
Total Fixed Assets .....	5,574,236	390,069	7,949	8,009,741
Less accumulated depreciation .....	(855,387)	(165,450)		
Net Fixed Assets .....	<u>\$4,718,849</u>	<u>\$224,619</u>	<u>\$7,949</u>	<u>\$8,009,741</u>

## 10. Compensated Absences Payable

As of June 30, 1990, the State's estimated liability for compensated absences related to accumulated vacation leave amounted to approximately \$696 million. Of this amount, \$571 million is reported in the General Long-Term Obligations Account Group, \$34 million is reported in the proprietary fund types, and \$91 million for earned vacation compensation of academic-year faculty of the California State University and of the special schools of the California State Department of Education is reported as a current liability in the State's General Fund. Accumulated sick-leave balances do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

## 11. General Obligation Bonds

The state constitution permits the State to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds majority of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the state constitution, the General Fund is used, first, to support the public school system and public institutions of higher education. The General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds reimburse the General Fund for the debt service provided on their behalf.

### A. Changes in Bond Indebtedness

The following schedule summarizes the changes in general obligation bond debt for the year ended June 30, 1990 (in thousands):

	<u>Balance July 1, 1989</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1990</u>
General Long-Term Obligations ....	\$4,115,450	\$1,375,000	\$322,095	\$ 5,168,355
Enterprise Funds .....	4,516,035	780,100	232,540	5,063,595
Total General Obligation Bonds ....	<u>\$8,631,485</u>	<u>\$2,155,100</u>	<u>\$554,635</u>	<u>\$10,231,950</u>

General obligation bonds that are directly related to and expected to be paid from the resources of enterprise funds are included within the accounts of such funds in the accompanying financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

**B. Bonds Outstanding and Bonds Authorized but Unissued**

The following schedule shows general obligation bonds outstanding and bonds authorized but unissued as of June 30, 1990 (in thousands):

	<u>Outstanding</u>	<u>Authorized But Unissued</u>
<b>General Long-Term Obligations</b>		
School Building Lease-Purchase .....	\$ 1,174,675	\$ 346,000
New Prison Construction .....	937,850	1,405,000
School Facilities .....	528,250	1,869,000
County Jail Capital Expenditure .....	435,875	16,000
Higher Education Facilities .....	431,100	1,007,000
Clean Water .....	233,800	266,000
Clean Water and Water Conservation .....	203,850	37,000
Park and Recreational Facilities .....	168,750	178,000
Safe Drinking Water .....	150,380	226,000
State Parklands .....	139,100	45,000
State, Urban, and Coastal Park .....	118,375	25,000
County Correctional Facility .....	114,850	378,000
State Beach, Park, Recreational and Historical Facilities ...	107,175	
Wildlife, Coastal, and Park Land .....	83,400	691,000
State Construction .....	57,100	
Health Science Facilities .....	50,610	
Senior Center .....	40,000	
Community College Construction .....	39,250	
Lake Tahoe Acquisitions .....	36,500	42,000
Community Parklands .....	32,750	67,000
Fish and Wildlife Habitat Enhancement .....	32,500	45,000
Higher Education Construction .....	27,670	
Recreation and Fish and Wildlife Enhancement .....	12,000	
Harbor Development .....	7,745	
Junior College Construction .....	4,000	
Water Conservation and Quality .....	800	149,200
Rail Transportation .....		1,990,000
Passage Rail and Clean Air .....		1,000,000
County Correctional Youth Facility .....		500,000
Housing and Homeless .....		450,000
Earthquake Safety and Public Building Rehabilitation .....		300,000
Earthquake Safety and Housing Rehabilitation .....		150,000
Library Construction and Renovation .....		75,000
Clean Water and Water Reclamation .....		65,000
Water Conservation .....		60,000
<b>Total General Long-Term Obligations .....</b>	<u>5,168,355</u>	<u>11,382,200</u>
<b>Enterprise Funds</b>		
California Veterans .....	3,517,380	239,900
Water Resource Development .....	1,282,665	180,000
State School Building Aid .....	218,540	40,000
Hazardous Substance Cleanup .....	40,000	50,000
First-Time Home Buyers .....	5,010	185,000
<b>Total Enterprise Funds .....</b>	<u>5,063,595</u>	<u>694,900</u>
<b>Total General Obligation Bonds .....</b>	<u>\$10,231,950</u>	<u>\$12,077,100</u>

### C. Debt Service Requirements

The following schedule shows the debt service requirements for general obligation bonds, including interest of \$7.4 billion, as of June 30, 1990 (in thousands):

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u>	<u>Enterprise Funds</u>
1991 .....	\$ 750,535	\$ 564,248
1992 .....	711,975	534,135
1993 .....	664,177	509,267
1994 .....	631,625	505,412
1995 .....	597,986	498,840
Thereafter .....	<u>4,983,050</u>	<u>6,680,560</u>
Total .....	<u>\$8,339,348</u>	<u>\$9,292,462</u>

## 12. Revenue Bonds

With approval in advance from the Legislature, certain state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the earnings of the respective enterprise funds of the agencies listed in Section B of this note or from resources of certain plant funds or loan funds of the University of California. The General Fund has no legal liability for payment of principal and interest on revenue bonds.

The Department of Water Resources, the California State University, the California Transportation Commission, the State Public Works Board, and the University of California issued revenue bonds to acquire or construct state facilities. The California Housing Finance Agency, the Department of Veterans Affairs, and the California National Guard issued revenue bonds to allow the State to make loans to finance housing development, and to finance the acquisition of farms and homes by California veterans and National Guard members. When the farm and home loans financed by the revenue bonds are fully paid, the farms and homes become the property of private individuals or entities.

### A. Changes in Bond Indebtedness

The following schedule summarizes the changes in revenue bond debt for the year ended June 30, 1990 (in thousands):

	<u>Balance July 1, 1989</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1990</u>
Enterprise Funds .....	\$7,406,337	\$551,039	\$468,221	\$7,489,155
University of California .....	<u>986,771</u>	<u>348,175</u>	<u>7,972</u>	<u>1,326,974</u>
Total Revenue Bonds .....	<u>\$8,393,108</u>	<u>\$899,214</u>	<u>\$476,193</u>	<u>\$8,816,129</u>

### B. Revenue Bonds Outstanding

The following schedule shows revenue bonds outstanding as of June 30, 1990 (in thousands):

<u>Enterprise Funds</u>	<u>Outstanding</u>
California Housing Finance Agency .....	\$3,339,538
Department of Water Resources .....	1,393,194
Department of Veterans Affairs .....	1,316,926
State Public Works Board .....	1,106,302
California State University .....	234,278
California Transportation Commission .....	84,401
California National Guard .....	14,516
Total Enterprise Funds .....	7,489,155
<u>University of California</u>	
Regents of the University of California .....	1,326,974
Total Revenue Bonds .....	<u>\$8,816,129</u>

### C. Debt Service Requirements

The following schedule shows the debt service requirements for revenue bonds, including interest of \$12.3 billion, as of June 30, 1990 (in thousands):

<u>Year Ending June 30</u>	<u>Enterprise Funds</u>	<u>University of California</u>
1991 .....	\$ 741,036	\$ 104,372
1992 .....	756,333	105,745
1993 .....	765,418	104,911
1994 .....	765,513	106,204
1995 .....	721,123	106,409
Thereafter .....	13,103,096	3,753,392
Total .....	<u>\$16,852,519</u>	<u>\$4,281,033</u>

### D. Early Extinguishments of Debt

During the year ended June 30, 1988, the California Transportation Commission (commission) issued approximately \$50 million of 1987 San Francisco Bay Toll Bridge Revenue Refunding Bonds—Series A and used \$49 million of the proceeds, along with an additional \$5 million of 1981 Series A bonds and 1982 Series B Retirement Interest and Revenue Fund monies, to satisfy a debt of approximately \$46 million for the 1981 Series A and 1982 Series B bonds. The commission used the \$54 million to purchase United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to redeem the 1981 Series A and 1982 Series B bonds as they become due. As of June 30, 1990, \$42.5 million of the Series A and B bonds remained outstanding.

Since the escrow arrangements effectively release the California Transportation Commission from its obligations for the \$42.5 million, the liability for the bonds is not included on the combined balance sheet, nor are the related investments.

During the year ended June 30, 1989, the Department of Water Resources issued \$160 million of Central Valley Project Water System Revenue Bonds, Series F, and used \$151.9 million of the proceeds to satisfy a debt of \$133.4 million for Central Valley Project Facilities Revenue Bonds, Series G. The department invested the \$151.9 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The

investment and interest will be sufficient to redeem the Series G bonds as they become due. As of June 30, 1990, the entire \$133.4 million of the Series G bonds remained outstanding.

During the year ended June 30, 1986, the Department of Water Resources issued \$206.7 million of Central Valley Project Facilities Revenue Bonds, Series H, and used \$183.5 million of the proceeds to satisfy a debt of \$163.7 million for Series C and D bonds. The department invested the \$183.5 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to pay all principal and interest on the Series C and D bonds as they become due and to redeem such bonds on December 1, 1992. As of June 30, 1990, the entire \$163.7 million of the Series C and D bonds remained outstanding.

During the year ended June 30, 1985, the Department of Water Resources issued \$239.5 million of Central Valley Project Facilities Revenue Bonds, Series G, and used \$236.9 million of the proceeds to satisfy a debt of \$200 million for Series B revenue bonds. The department invested the \$236.9 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to pay all principal and interest on the Series B revenue bonds as they become due and to redeem such bonds on December 1, 1992. As of June 30, 1990, \$192.4 million of the Series B revenue bonds remained outstanding.

Since the escrow arrangements effectively release the Department of Water Resources from its obligations for the \$133.4 million of the Series G bonds, the \$163.7 million of the Series C and D bonds, and the remaining \$192.4 million of the Series B bonds, the liability for the bonds is not included on the combined balance sheet, nor are the related investments.

During the year ended June 30, 1985, the California Student Loan Authority (authority) used a total of \$112 million, comprised of \$43.6 million in proceeds from a bond issued to the Student Loan Marketing Association and an additional \$68.4 million of 1983 Series A Student and Parent Loan Revenue bond monies, to satisfy the debt on remaining 1983 Series A bonds. The authority invested the \$112 million in United States government securities and placed the securities in irrevocable escrow with Bank of America. The investment and interest will be sufficient to pay all principal and interest on the 1983 Series A bonds as they become due and to redeem such bonds on December 1, 1991. As of June 30, 1990, \$70 million of the 1983 Series A bonds remain outstanding.

Since the escrow arrangements effectively release the California Student Loan Authority from its obligation for the remaining \$70 million of the 1983 Series A bonds, the liability for the bonds is not included on the combined balance sheet, nor are the related investments.

### **13. No-Commitment Debt**

The Legislature created various authorities to provide certain private and public entities with a low-cost source of capital financing for constructing facilities or obtaining equipment deemed to be in the public interest. This debt is secured solely by the credit of the private and public entities and, except for approximately \$46 million in Pollution Control Bonds administered by the State Treasury, is administered by trustees independent of the State. The State has no obligation for this debt. Accordingly, these bonds are not reported in the accompanying financial statements.

The following schedule shows no-commitment debt outstanding as of June 30, 1990 (in thousands):

	<u>Outstanding</u>
Health Facilities Financing Authority .....	\$4,357,708
Pollution Control Financing Authority .....	3,410,397
Educational Facilities Authority .....	925,350
Alternative Energy Source Financing Authority .....	106,179
School Finance Authority .....	29,345
Urban Waterfront Area Restoration Financing Authority .....	3,330
Total No-Commitment Debt .....	<u>\$8,832,309</u>

#### 14. Commitments

##### A. Leases

The aggregate amount of lease commitments for facilities and equipment, excluding those of the University of California, in effect as of June 30, 1990, is approximately \$3.3 billion. This amount does not include any future escalation charges for real estate taxes and operating expenses. Most state leases are classified as operating leases, and they contain clauses providing for termination. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

The State has also entered into some lease-purchase agreements to acquire office buildings and electronic data processing and other equipment. The acquisition or development of the office buildings is financed by joint powers authorities and corporations that then lease the facilities to the State. Upon expiration of these leases, title to the facilities and equipment will pass to the State.

The minimum lease commitments are summarized below (in thousands):

<u>Year Ending June 30</u>	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
1991 .....	\$175,089	\$ 137,909	\$ 312,998
1992 .....	146,494	151,999	298,493
1993 .....	124,592	151,917	276,509
1994 .....	104,121	150,924	255,045
1995 .....	82,375	145,780	228,155
Thereafter .....	216,293	1,732,844	1,949,137
Total Minimum Lease Payments .....	<u>\$848,964</u>	<u>2,471,373</u>	<u>\$3,320,337</u>
Less amount representing interest .....		<u>1,071,044</u>	
Present Value of Net Minimum Lease Payments		<u>\$1,400,329</u>	

Lease expenditures for the year ended June 30, 1990, amounted to approximately \$304 million.

Included in the capital lease commitment are lease-purchase agreements that certain state educational and correctional institutions have entered into with the State Public Works Board amounting to a present value of net minimum lease payments of \$1.1 billion which represents 75 percent of the total present value of minimum lease payments. These lease payments will be used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the construction of facilities for these institutions. Upon expiration of these leases, jurisdiction of the educational and correctional facilities will pass from the State Public Works Board to the state educational and correctional institutions. The State Public Works Board accounts for these leases in its enterprise funds where it records the leases as construction work in progress and as a net investment in direct financing leases. These two accounts are classified as fixed assets and receivables on the combined balance sheet.

The following schedule presents a summary of the capital lease commitments as of June 30, 1990 (in thousands):

	<u>Present Value of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
Leases with the State Public Works Board:			
California State Prison—			
Corcoran .....	\$ 331,270	\$ 212,304	\$ 543,574
Del Norte .....	320,909	245,046	565,955
Amador .....	150,832	103,415	254,247
Tehachapi .....	84,333	43,262	127,595
California State University—			
San Jose .....	38,745	30,314	69,059
Long Beach .....	13,680	12,212	25,892
San Luis Obispo .....	6,771	6,045	12,816
University of California—			
Berkeley .....	46,810	41,511	88,321
San Diego .....	41,440	37,588	79,028
Santa Barbara .....	14,277	16,333	30,610
Irvine .....	5,228	4,742	9,970
Subtotal .....	<u>1,054,295</u>	<u>752,772</u>	<u>1,807,067</u>
Leases with nonstate entities:			
Ronald Reagan Building .....	187,130	172,401	359,531
San Francisco State Building .....	49,455	76,999	126,454
Franchise Tax Board .....	36,870	28,853	65,723
Legislature .....	11,549	3,199	14,748
Department of General Services—Telecommuni- cations Division .....	6,380	11,221	17,601
Health and Welfare Agency Data Center .....	6,108	4,518	10,626
Equipment Leases .....	29,221	6,802	36,023
Other .....	19,321	14,279	33,600
Subtotal .....	<u>346,034</u>	<u>318,272</u>	<u>664,306</u>
Total Capital Leases .....	<u>\$1,400,329</u>	<u>\$1,071,044</u>	<u>\$2,471,373</u>

University of California rental expenditures for the year ended June 30, 1990, totaled \$65.5 million. Minimum payments required under capital and noncancelable operating leases in fiscal year 1990-91 are \$27.7 million and decrease in amount thereafter.

#### B. Highway Construction Encumbrances

At June 30, 1990, encumbrances of the special revenue funds totaled \$1.1 billion. This amount does not include commitments of \$2 billion for construction projects for various highways. The commitments for highway projects in the amount of \$2 billion are excluded because the future expenditures related to these commitments are expected to be reimbursed primarily from proceeds of approved federal grants. The ultimate liability will not accrue to the State.

#### C. Other

As of June 30, 1990, the State, excluding the University of California, had other commitments totaling \$2.210 billion. These commitments included loan and grant programs for housing, school building aid, county jail construction, community parks, harbors and waterways, supply systems for domestic water, energy conservation, and forest resource improvement totaling

approximately \$1.763 billion. These commitments are expected to be funded from existing program resources and from the proceeds of revenue and general obligation bonds to be issued. The State had commitments totaling approximately \$60 million for the construction of portable classrooms and the construction and rehabilitation of toll bridge facilities. The State also had commitments for the construction of water projects and the purchase of power totaling approximately \$322 million. Additionally, the State had commitments of up to \$65 million for the purchase and maintenance of terminals for the lottery facilities. Construction projects of the University of California, totaling \$753 million, had been authorized as of June 30, 1990.

## 15. Fund Balance Reserved for Other Specific Purposes

### *General Fund*

The reserve represents the unencumbered balances of appropriations restricted for future educational purposes in accordance with Article XVI, Section 8, of the State Constitution (Proposition 98).

### *Special Revenue Funds*

The reserve represents \$35.9 million of proceeds from condemnation deposits and \$24.5 million that is reserved for transfer to the State's General Fund.

### *Trust and Agency Funds*

The reserve represents assets of the Unemployment Fund, the Unemployment Compensation Disability Insurance Fund, and other expendable trust funds that are not available for future appropriations other than those for which the funds were established.

### *University of California*

The reserve in the Current Funds group represents funds for which outside sources or donors specify the use. The reserve in the Endowment and Similar Funds group primarily consists of income-generating gifts where, by definition, the principal is maintained and invested and only the income is used. In the Plant Funds group, the reserve consists of monies designated to finance the acquisition and construction of capital assets. Finally, the reserve in the Loan Funds group consists of monies designated for various loans to students and faculty.

## 16. Major Tax Revenues

Tax revenues for the year ended June 30, 1990, are as follows (in thousands):

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Expendable Trust Funds</b>
Sales and use .....	\$13,473,361	\$ 768,607	
Personal income .....	16,890,872		
Bank and corporation .....	4,943,775		
Unemployment insurance .....			\$1,919,811
Disability insurance .....			1,595,018
Cigarette and tobacco .....	152,857	577,556	
Other .....	1,543,772	117,584	21,367
Total .....	<u>\$37,004,637</u>	<u>\$1,463,747</u>	<u>\$3,536,196</u>

## 17. Pension Trusts

The State administers five defined benefit contributory retirement plans: the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System, the Legislators' Retirement System, and the University of California Retirement

System. The University of California Retirement System is reported in the University of California fund type. The other pension funds are included in the fiduciary fund type. Additional information for each retirement system can be found in each system's separately issued financial report.

*A. Public Employees' Retirement System*

*Plan Description*

The Public Employees' Retirement System (PERS) is an agent multiple-employer public employees' retirement system. It is administered by the Board of Administration (board) of the PERS. The board also administers other retirement systems and programs. The PERS had approximately 658,000 active and inactive members at June 30, 1990, excluding current benefit recipients of approximately 248,000. The membership includes employees of the State of California, nonteaching school employees, and employees of California public agencies. These employees are covered under 1,200 contracts with the PERS. The payroll of member agencies covered by the PERS was approximately \$16.3 billion in fiscal year 1989-90. At June 30, 1990, the PERS had approximately 228,000 state members. The State's payroll covered by the PERS was approximately \$6.8 billion out of a total payroll of approximately \$9.7 billion, which includes the payroll of the University of California of approximately \$2.5 billion.

All employees of member agencies who work halftime or more are eligible to participate in the PERS. The PERS administers several different retirement plans, each providing a monthly allowance based on age, years of credited service, and highest average compensation over an established period of one to three years. Vesting occurs after five or ten years, depending on the plan. All plans provide death and disability benefits. The benefit provisions for state and school employees are established by statute. The benefits for public agencies are established by contract with the PERS in accordance with the provisions of the Public Employees' Retirement Law.

Employees of the State of California who are covered by the PERS are classified into the following groups: safety members, consisting of employees in law enforcement and fire prevention and suppression; industrial members, consisting of employees of the youth and adult correctional facilities who are not safety members; and miscellaneous members, consisting of all other members and represent the majority of state employees. The State offers certain groups of employees in the industrial and miscellaneous categories two retirement options: a first tier and a second tier option. In the first tier, employees contribute a percentage of their payroll to the PERS. In the second tier, employees elect not to contribute to the PERS in exchange for reduced benefits.

Upon separation from the PERS, members can elect to have their accumulated contributions refunded with interest credited through the date of refund. The annual rate of interest credited to members' accounts cannot be less than the actuarial interest assumption.

State employees become vested after five years if they are covered by the first tier plan and after ten years if they are covered by the second tier plan. The retirement benefits of state employees vary according to the plan under which they are covered. The benefits of the largest group, miscellaneous members in the first tier plan, are based on a formula that, at the normal retirement age of 60, provides benefits equal to 2 percent of the highest compensation over three consecutive years multiplied by the years of service. Early retirement options at reduced benefits are also available.

All employees of member agencies contribute to the PERS except for the state employees in the second tier plan. The contribution rates vary between the plan and the employer. The state employees' contribution rates range from 5 percent of the monthly salary over \$513 for industrial and miscellaneous members in the first tier plan who are also covered by

social security up to 8 percent of the monthly salary over \$863 for certain safety members who are not covered by social security.

Employers are required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the actuaries and actuarial consultants of the PERS and adopted by the board.

#### *Investment Matters*

Statutes authorize the PERS to invest in stocks, bonds, mortgages, real estate, and other investments. The Boston Safe Deposit and Trust Company is the master custodian for the majority of the investments.

Equity securities are reported at cost, subject to adjustment for market declines that are other than temporary. Fixed-income securities are reported at amortized cost. The market value, where disclosed, is based on published market prices and quotations from major investment brokers.

#### *Funding Status and Progress*

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the PERS on a going-concern basis, assess the progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1989. Significant actuarial assumptions used in the valuation include the following: (a) a rate of return on the investment of present and future assets of 8.5 percent a year compounded annually; (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation; (c) additional salary increases of .50 percent a year attributable to across-the-board salary increases and 1.50 percent a year attributable to merit raises; and (d) post-retirement benefit increases based on the contracts with the member agencies.

The following schedule shows the total unfunded pension benefit obligation of the PERS and the State's portion of the total on June 30, 1989 (in thousands):

	<u>Total PERS</u>	<u>State's Portion</u>
Pension benefit obligation to:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits .....	\$21,667,722	\$10,305,861
Current employees:		
Accumulated employee contributions, including allocated investment earnings .....	9,231,801	3,168,844
Employer-financed vested .....	17,359,675	9,453,015
Employer-financed nonvested .....	982,704	472,897
Total pension benefit obligation .....	49,241,902	23,400,617
Net assets available for benefits (market value of \$51 billion and \$22 billion, respectively)	43,714,194	19,018,397
Unfunded pension benefit obligation .....	<u>\$ 5,527,708</u>	<u>\$ 4,382,220</u>

### *Contribution Requirements*

The PERS uses the entry-age normal actuarial cost method, which is a projected-benefit cost method. The method takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. The PERS uses a modification of the entry-age cost method in which the employer's total normal cost is expressed as a level percentage of payroll. The PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liability. The amortization period of the unfunded actuarial liability varies by agency but is no longer than 30 years.

The significant assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

The required contributions consist of a normal cost of 8.86 percent of covered payroll and an amortization of unfunded liabilities of 2.93 percent of covered payroll. The following schedule shows the actual contributions during fiscal year 1989-90 (amounts in thousands):

	<u>Amount</u>	<u>Percentage of Payroll</u>
Employer .....	\$1,596,659	9.80%
Members .....	<u>1,048,533</u>	<u>6.43</u>
Total.....	<u>\$2,645,192</u>	<u>16.23%</u>

The rates at which the State was required to contribute to the PERS during fiscal year 1989-90 were as follows:

	<u>Normal Cost</u>	<u>Unfunded Liability</u>	<u>Total Rate</u>
Miscellaneous members:			
First tier.....	8.731%	4.493%	13.224%
Second tier .....	8.725	4.493	13.218
Industrial.....	16.788	(16.788)	0
Highway patrol .....	18.313	(18.313)	0
Peace officers and firefighters .....	14.241	1.959	16.200
Other safety members .....	17.404	(17.404)	0

The actual contributions, also expressed as a percentage of payroll, of the State and the PERS' members for the year ended June 30, 1990, were as follows (amounts in thousands):

	<u>Amount</u>	<u>Percentage of Covered Payroll</u>
Miscellaneous:		
Employer .....	\$ 681,823	13.20%
Members .....	197,242	3.82
Industrial:		
Employer .....	32,790	16.78
Members .....	7,177	3.67
Highway patrol:		
Employer .....	45,943	18.32
Members .....	14,352	5.72
Peace officers and firefighters:		
Employer .....	168,261	16.20
Members .....	74,875	7.21
Other safety:		
Employer .....	35,397	17.42
Members .....	11,625	5.72
Total Contributions .....	<u>\$1,269,485</u>	

#### *Trend Information*

The following schedule shows the percentage of net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1989, 1988, and 1987 (amounts in thousands). Additional trend information will be provided in future years as it becomes available.

	<u>June 30,</u>		
	<u>1989</u>	<u>1988</u>	<u>1987</u>
Net assets available for benefits .....	\$43,714,194	\$38,220,619	\$33,709,518
Pension benefit obligation .....	49,241,902	45,067,871	41,337,318
Percentage funded .....	89%	85%	82%
Unfunded pension benefit obligation ..	\$ 5,527,708	\$ 6,847,251	\$ 7,627,801
Annual covered payroll .....	14,659,439	13,559,719	12,700,000
Unfunded pension benefit obligation as a percentage of covered payroll ....	37%	50%	60%

#### *B. State Teachers' Retirement System*

##### *Plan Description*

The State Teachers' Retirement System (STRS) is a cost-sharing multiple-employer retirement system that provides pension benefits to teachers and certain other employees of the California public school system. At June 30, 1990, the STRS had approximately 1,100 contributing employers (school districts). Additionally, the State is a nonemployer contributor to the STRS.

Membership in the pension plan is mandatory for all employees who hold a teaching certificate and who are eligible for membership. At June 30, 1989, the STRS had approximately 168,000 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them. Also, the STRS had approximately 285,000 vested and nonvested active members.

Members become fully vested in retirement benefits after five years of credited service. In general, the STRS provides defined retirement benefits based on the members' final compensation, age, and length of service. In addition, benefits are provided for disability and for survivors upon the death of eligible members. Final compensation is defined as the average salary earnable for the highest three consecutive years of credited service. Normal retirement age is 60 years, at which time the benefit formula provides benefits equal to 2 percent of final compensation multiplied by the years of service. Early retirement options are also available.

Members are eligible for disability benefits before age 60 after five years of credited service. The disability benefits range up to 90 percent of final compensation. Also available are family benefits if the deceased member had at least one year of credited service.

The members' accumulated contributions and accrued interest are refundable to employees upon separation.

The following is a summary of the sources of contributions:

Members	—8 percent of applicable member earnings
Employers	—8.25 percent of applicable member earnings
State of California	—Annual contributions of \$144.3 million indexed to increases or decreases in the consumer price index beginning July 1, 1980. In fiscal year 1989-90, the contribution under this requirement was \$268.4 million.  —Additional annual contributions of \$100 million in 1985-86 that increase by \$20 million each year through 1994-95 when the additional annual contribution will be \$280 million. Beginning in 1994-95 such additional contributions of \$280 million will be indexed to the California Consumer Price Index.  —Under certain provisions of the California Education Code, the State is required to make contributions of .415 percent of payroll. Actual appropriations for 1989-90 were \$44.3 million, or .404 percent of payroll.

#### *Investment Matters*

The STRS is authorized to invest in obligations of the United States government, the Canadian government, United States corporations with a rating of BBB or above, and private placements. The STRS may also invest in notes collateralized by first mortgages and deeds of trust for real estate located in the United States, common and preferred stocks of corporations domiciled in the United States or Canada, real properties, mutual funds, units of participation in commingled index funds, and other investments.

The majority of the securities held in the investment portfolio at June 30, 1990, is in the custody of or controlled by the State Street Bank and Trust Company, the STRS' master custodian.

Debt securities and mortgage loans are reported at amortized cost. Equity securities are reported at cost. Short-term and other investments are reported at cost, which approximates market value. Real estate equity investments consist of commercial real estate and are reported at cost, which approximates net realizable value.

### *Funding Status*

The amount shown below as pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The amount is the actuarial present value of credited projected benefits and is intended to help users assess the STRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. This measure is independent of the actuarial methods used to calculate the contribution requirements described below.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1989. Significant actuarial assumptions used in the valuation include the following: (a) consumer price index increases of 5 percent annually; (b) projected salary increases attributable to inflation, merit, and promotion of 6.5 percent annually; (c) a rate of return on the investment of present and future assets of 8.5 percent; (d) post-retirement benefit increases of 2 percent; (e) an expected growth in the size of the teaching force of 0.5 percent per year over a 40-year period starting July 1, 1987; and (f) an expected growth of 7.03 percent in covered payroll.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

At June 30, 1989, the estimated unfunded pension benefit obligation was as follows (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits .....	\$13,930,901
Current members .....	24,314,342
Inactive members .....	<u>1,076,924</u>
Total pension benefit obligation .....	39,322,167
Net assets available for benefits (at amortized cost) ....	<u>26,228,323</u>
Unfunded pension benefit obligation .....	<u>\$13,093,844</u>

### *Contribution Requirements*

The STRS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The level percentage of payroll employer contribution rates is determined using the entry-age actuarial cost method. The system also uses the level percentage of payroll method to calculate the amortization of the unfunded liability over 40 years.

In their actuarial valuation as of June 30, 1989, the STRS' independent actuaries determined that the minimum rate of contributions to meet the requirements of the funding policy is 20.78 percent of covered payroll. The total contribution rate currently required by law is 20.08 percent of covered payroll, representing a deficit of .70 percent. The annual funding deficit at the previous valuation on July 1, 1987, was 1.04 percent.

### *Trend Information*

The following schedule shows the percentage of net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1989, 1988, and 1987 (amounts in thousands). Additional trend information is available in the separately issued STRS' financial report for the year ended June 30, 1990:

	June 30,		
	1989	1988	1987
Net assets available for benefits .....	\$26,228,323	\$23,392,358	\$20,594,478
Pension benefit obligation .....	39,322,167	36,538,073	33,909,686
Percentage funded .....	67%	64%	61%
Unfunded pension benefit obligation .....	\$13,093,844	\$13,145,715	\$13,315,208
Annual covered payroll .....	10,222,431	9,248,742	8,705,341
Unfunded pension benefit obligation as a percentage of covered payroll .....	128%	142%	153%

### *C. Judges' Retirement System*

#### *Plan Description*

The Judges' Retirement System (JRS) is an agent multiple-employer retirement system. It is administered by the Board of Administration of the PERS, and it operates under the Judges' Retirement Law of the California Government Code. The JRS provides pension benefits to judges of the supreme court, courts of appeal, superior courts, and municipal courts. Membership in the pension plan includes judges of municipal and higher courts of California. As of June 30, 1990, the JRS had 1,583 active and inactive members and 997 retired members and beneficiaries receiving benefits. The covered payroll for fiscal year 1989-90 was approximately \$133.6 million.

Generally, members become fully vested in retirement benefits after five years of service credit. The JRS provides defined retirement benefits based on the members' length of service and the present salaries of incumbents in the offices from which they retired. In addition, the JRS provides benefits for disability and for survivors upon the death of eligible members. Members are generally eligible for retirement benefits at age 60 with 20 years of service. The JRS is funded on a "pay-as-you-go" basis under which the JRS uses active member contributions and short-term investments to fund current benefit payments to retirees. Members contribute 8 percent of the applicable member compensation. The employers, which are the State and the counties, contribute another 8 percent. The State also has to make other contributions as necessary.

#### *Investment Matters*

State law authorizes the JRS to invest in stocks, bonds, mortgages, real estate, and other investments. The Boston Safe Deposit and Trust Company is the master custodian of the investments. The JRS maintains cash equivalents with financial institutions. Investments are reported at cost plus accrued interest, which approximates market value.

#### *Funding Status and Progress*

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the JRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is the actuarial present value of credited projected

benefits and is independent of the funding method used to determine contributions to the JRS.

Significant actuarial assumptions used to calculate the pension benefit obligation were an actuarial interest rate of 6 percent per year and expected salary increases of 5.75 percent, which includes an expected inflation rate of 5 percent.

The following schedule shows the total unfunded pension benefit obligation applicable to the JRS at June 30, 1989 (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 719,964
Current employees:	
Accumulated employee contributions including allocated investment income .....	64,215
Employer-financed vested .....	331,429
Employer-financed nonvested .....	98,911
Total pension benefit obligation .....	1,214,519
Net assets available for benefits, at cost, which approximates market .....	1,730
Unfunded pension benefit obligation .....	<u><u>\$1,212,789</u></u>

#### *Contribution Requirements*

The contribution requirements of the JRS are not actuarially determined. Contribution requirements are established by law. The actuary determined that the State and local governments needed to contribute a total of \$112 million to fund costs accruing each year and liquidate the unfunded accrued liability as of June 30, 1989. The State actually contributed a total of approximately \$10 million.

The last actuarial valuation of the JRS' assets and liabilities was performed as of June 30, 1989. An independent actuary used the valuation to determine the adequacy of the financing structure currently available to the JRS. The independent actuary determined that a minimum contribution rate of approximately 100.23 percent of covered payroll would be required to fund costs accruing each year and to liquidate the unfunded accrued liability as of June 30, 1989. This rate was determined to fully fund the JRS by January 1, 2002. The minimum contribution rate determined by the independent actuary is significantly higher than the contribution rate of 8 percent available under current law.

#### *Trend Information*

The following schedule shows the percentage of net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1989, 1988, and 1987

(amounts in thousands). Additional trend information will be provided in future years as it becomes available.

	June 30,		
	1989	1988	1987
Net assets available for benefits.....	\$ 1,730	\$ 3,334	\$ 3,600
Pension benefit obligation.....	1,214,519	1,145,500	1,028,300
Percentage funded.....	.1%	.3%	.3%
Unfunded pension benefit obligation.....	\$1,212,800	\$1,142,200	\$1,024,700
Annual covered payroll.....	112,000	110,000	105,000
Unfunded pension benefit obligation as a percentage of covered payroll .....	1,082.8%	1,038.4%	975.9%

#### D. *Legislators' Retirement System*

##### *Plan Description*

The Legislators' Retirement System (LRS) is an agent single-employer retirement system. It is administered by the Board of Administration of the PERS, and it operates under the Legislators' Retirement Law of the California Government Code. The LRS provides pension benefits to members of the Legislature, constitutional officers, and legislative statutory officers who elect to participate in the plan. At June 30, 1990, the LRS had 170 active and inactive members and 238 retired members. The covered payroll for fiscal year 1989-90 was approximately \$5.6 million.

Generally, members become fully vested in the pension plan after four years of service credit. The LRS provides defined retirement benefits based on the members' length of service and final compensation. In addition, the LRS provides benefits for disability and for survivors upon the death of eligible members. Members are generally eligible for retirement benefits at age 60 with four or more years of service or at any age with 15 or more years of service. The Legislators' Retirement Law currently provides that the State contribute 18.81 percent of applicable member compensation; the members contribute between 4 and 8 percent of compensation.

On November 6, 1990, the voters approved an amendment to the state constitution, which prohibits legislators from earning retirement benefits for service in the Legislature after that date. The amendment does not diminish any vested benefits accrued as of that date, but it prohibits further vesting for any member of the Legislature. The possible effects of this amendment on the LRS has not been determined.

##### *Investment Matters*

The LRS has investments in stocks and bonds, mortgages, real estate, and other investments. The Boston Safe Deposit and Trust Company is the master custodian for the majority of the investments.

Equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities and real estate mortgage loans are reported at amortized cost. Corporate shares and short-term investments are reported at cost. The market value of investments, where disclosed, is generally based on published market prices and quotations from major investment brokers.

##### *Funding Status and Progress*

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the LRS' funding status on a going-concern basis, assess progress made in

accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the LRS.

Significant actuarial assumptions used to calculate the pension benefit obligation were an actuarial interest rate of 8.5 percent per year and expected salary increases of 5.5 percent, which includes an expected inflation rate of 5 percent.

The following schedule shows the total unfunded pension benefit obligation applicable to the LRS at June 30, 1989 (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits.....	\$53,260
Current employees:	
Accumulated employee contributions including allocated investment income .....	5,560
Employer-financed vested .....	8,121
Employer-financed nonvested .....	6,271
Total pension benefit obligation .....	73,212
Net assets available for benefits, at cost (market value is approximately \$69,125) .....	57,020
Unfunded pension benefit obligation .....	<u>\$16,192</u>

#### *Contribution Requirements*

The current contribution requirements of the LRS are based on actuarially determined rates required by state law. The actuary determined that the State needed to contribute a total of \$1,380,734 to fund costs accruing each year and to liquidate the unfunded accrued liability as of June 30, 1989. The State actually contributed \$991,096.

The last actuarial valuation of the LRS' assets and liabilities was performed as of June 30, 1989. An independent actuary used the valuation to determine the adequacy of the financing structure currently available to the LRS. The independent actuary determined that a minimum contribution rate of approximately 25.08 percent of covered payroll would be required to fund costs accruing each year and to liquidate the unfunded accrued liability as of June 30, 1989. This rate was determined to fully fund the LRS by the year 2009. The minimum contribution rate determined by the independent actuary is significantly higher than the contribution rate of 18.81 percent available under current law.

### *Trend Information*

The following schedule shows the percentage of net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1989, 1988, and 1987 (amounts in thousands). Additional trend information will be provided in future years as it becomes available.

	June 30,		
	1989	1988	1987
Net assets available for benefits .....	\$57,020	\$55,180	\$52,310
Pension benefit obligation .....	73,212	70,671	68,184
Percentage funded .....	78%	78%	77%
Unfunded pension benefit obligation .....	\$16,192	\$15,491	\$15,874
Annual covered payroll .....	5,500	5,000	4,800
Unfunded pension benefit obligation as a percentage of covered payroll .....	294.5%	310.0%	331.3%

### *E. University of California Retirement System*

#### *Plan Description*

The University of California Retirement System (UCRS) includes a defined benefit pension plan that provides pension benefits to eligible employees of the University of California and its affiliates. The pension plan provides retirement and disability benefits and benefits for survivors upon the death of eligible members. At June 30, 1990, the pension plan had approximately 95,000 members with approximately 15,200 members receiving benefits.

#### *Investment Matters*

The UCRS has investments in common stocks, bonds, mortgage loans, and other miscellaneous investments. The UCRS' investments are reported at market value.

#### *Actuarial Present Value of Accumulated Plan Benefits*

Actuarial methods and assumptions include the expected return on actuarial value of assets at 8.5 percent, as well as valuing actuarial assets based on a five-year moving average of market values.

The actuarial present value of accumulated plan benefits of the UCRS at June 30, 1990, was \$5.1 billion, composed of vested benefits of \$4.8 billion and nonvested benefits of \$330 million. The actuarial present value excludes future salary increases while actual future benefits will be based upon then-current salary levels. When projections for future salary increases are included in this calculation, the actuarial present value of accumulated plan benefits is \$7.3 billion. Net assets available for benefits, using the actuarial value of such assets, totaled \$11.8 billion at June 30, 1990.

#### *Funding Policy*

The UCRS is funded through the University of California and employee contributions. The pension expense related to the UCRS was \$175 million for fiscal year 1989-90. In 1984, the State agreed to pay \$66.5 million in actuarially equivalent installments over 30 years. Additionally, in fiscal year 1989-90, the State agreed to pay \$57.2 million in actuarially equivalent installments over 30 years. At June 30, 1990, the amount due from the State was \$119.1 million. This amount is recorded as a receivable from the State and as an interfund receivable and payable between the University of California's Current Funds and Retirement System Funds.

## **18. Postretirement Health Care Benefits**

In addition to providing pension benefits, the State also provides certain health care benefits for eligible retired employees and their survivors. The cost of retiree health care is recognized as an expenditure in the year the benefits are paid. The cost of providing these benefits for retirees in fiscal year 1989-90 was \$248 million, including \$56.4 million for the University of California.

## **19. Deferred Compensation Plan**

The State offers its eligible employees a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. Eligible employees may defer receiving portions of their salaries, thereby deferring taxation on those portions, until they leave state service or face a serious financial emergency. The participants direct the plan administrator, the State, to invest the deferred amounts among various investment options. The cost of administration and all funding are the responsibility of those participating in the plans. The State makes no contribution to the plan. However, the money in the plan is available for payment to the State's general creditors when permitted by the Legislature.

As of June 30, 1990, the total market value of assets in the deferred compensation plan was approximately \$1.366 billion. Of this amount, \$1.354 billion is reported in investments, \$12 million is reported in due from other funds, and the corresponding liability of \$1.366 billion is included in deposits. The assets and the liability are reported in an agency fund.

## **20. Guaranty Deposits**

The State is custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

## **21. Segment Information—Enterprise Funds**

Selected financial information by enterprise fund activity for major segments is shown in the schedule on the following page.

**ENTERPRISE FUND ACTIVITY  
BY MAJOR SEGMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 1990  
(In Thousands)**

	<u>Housing Loan</u>	<u>Water</u>	<u>State Compensation Insurance</u>	<u>Student Loans and School Building Aid</u>	<u>Toll Facilities</u>	<u>State University</u>	<u>Leasing of Public Assets</u>	<u>Lottery</u>	<u>Other Enterprises</u>
Operating Revenue .....	\$ 604,878	\$ 454,409	\$ 2,177,367	\$ 80,987	\$ 125,028	\$ 159,442	\$ 83,138	\$ 2,480,159	\$ 93,422
Operating Income									
(Loss) .....	(84,428)	154,596	349,701	61,369	87,746	53,084	55,589	900,334	7,376
Net Income .....	59,719	37,154	349,701	56,112	95,085	45,354	60,725	929,448	42,387
Property, Plant, and Equipment									
Additions .....	224	138,253	7,787	937	58,479	33,606	49,182	21,643	5,089
Deductions .....				5		13,810	275,422	23	1,233
Total Assets .....	9,478,424	4,730,313	4,891,087	556,153	1,150,472	769,555	2,033,089	1,432,747	488,620
Bonds and Other									
Long-Term Liabilities	8,379,325	2,862,817	1,501,899	253,083	100,015	237,054	1,130,030	1,001,246	44,373
Total Equity .....	677,566	959,660	858,556	294,979	1,047,008	394,731	90,533	0	372,978

The primary sources of enterprise fund revenues are as follows:

*Housing Loan*—Interest charged on contracts of sale of properties to California veterans and to California National Guard members, interest charged on program loans to finance the housing needs of persons and families of low and moderate income, loan origination fees, and interest earned on investments.

*Water*—Charges to local water districts, sale of excess power to public utilities, and interest earned on investments.

*State Compensation Insurance*—Premiums collected from California employers for insurance against workers' compensation claims and interest earned on investments. This information is as of and for the year ended December 31, 1989.

*Student Loans and School Building Aid*—Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities, income from the rental of portable classrooms to school districts, and interest charged on loans to students.

*Toll Facilities*—Toll fees and interest earned on investments.

*State University*—Charges to students for housing and parking; student fees for campus unions, health centers, and self-supporting educational programs; and interest earned on investments.

*Leasing of Public Assets*—Rental charges from the lease of public assets and interest earned on investments.

*Lottery*—Sale of lottery tickets.

*Other Enterprises*—Gasoline taxes and fees related to boating activities, canteen revenues, and processing fees charged by various other departments and authorities.

## 22. Contingencies

### A. Litigation

The State is a party to numerous legal proceedings, many of which normally recur in governmental operations. The following were accrued as a liability in the financial statements: legal proceedings that were decided against the State before June 30, 1990; legal proceedings that were in progress at June 30, 1990, and that were settled or decided against the State as of November 30, 1990; and legal proceedings having a high probability of resulting in a decision against the State as of November 30, 1990, and for which amounts could be estimated. For governmental fund types and expendable trust funds, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability of the fund from which payment will be made; the remainder is shown as a liability of the General Long-Term Obligations Account Group. For other fund types, the entire liability is recorded in the fund involved. In addition, the State is involved in certain other legal proceedings that, if decided against the State, may require the State to make significant future expenditures or may impair future revenue sources. Because of the prospective nature of these proceedings, no provision for this potential liability has been made in the accompanying financial statements, nor can an estimate of the potential loss be made.

Following are the more significant lawsuits pending against the State:

The State is a defendant in 29 lawsuits involving the State's application of the unitary method of accounting to foreign country controlled corporations. Under the unitary method of accounting, the State taxes multinational corporations on the basis of worldwide earnings allocated as a percentage of activities within the State. In 1988, corporations were given the option of using the "water's edge" method, which allows multinational corporations to limit the base used for assessing California income tax to a firm's United States operations. The lead case is *Barclays Bank of California v. Franchise Tax Board*, *Barclays Bank International v. Franchise Tax Board*. The trial court and the district court of appeal ruled against the State. In January 1991, the State plans to ask the California Supreme Court to review the opinion of the district court of appeal. The State intends to litigate this case to the United States Supreme Court, if necessary. However, if the State does not prevail, it could be required to make refunds that total \$278 million from the General Fund and \$25 million from the Unitary Tax Fund in the Special Revenue Fund Type. These amounts are recorded as tax overpayments in the respective funds. In addition, in case of an adverse judgment, the State will not be able to collect previous assessments of \$227 million.

The State is a defendant in five lawsuits also involving the unitary method of accounting but related to domestically controlled businesses. In 1983, the United States Supreme Court upheld the State's use of the method challenged in these lawsuits. These lawsuits seek to reverse the prior decision of the United States Supreme Court. The lead case is *Colgate Palmolive v. Franchise Tax Board*. The State lost in the trial court on one of the issues. A final decision is several years away. In the event of an adverse outcome, the potential liability to the State has been estimated at \$2.8 billion.

The State is a defendant in two lawsuits involving the exclusion of small business stock gains from taxation. The leading cases are *Mervin Morris v. Franchise Tax Board* and *Gavin Herbert v. Franchise Tax Board*. However, in excess of 100 cases have been deferred by the Franchise Tax Board pending the outcome of the *Morris* and *Herbert* cases. A final decision is several years away. In the event of an adverse outcome in the two lead cases and the deferred cases, depending upon the rationale for the decision and the subsequent application by the State Board of Equalization and the courts, the potential liability to the State has been estimated as high as \$500 million.

The State is a defendant in nine lawsuits related to the State's interpretation of a regulation concerning taxation of diverse businesses as one unit. A final decision in the cases is several years away. In the event of an adverse outcome in the cases, the potential liability to the State has been estimated at \$100 million.

The State is a defendant in *Woosley v. California*, a class action suit. The suit alleges overcharges of vehicle license fees and use taxes for out-of-state vehicles that were registered in California from 1975 to 1983. The suit also alleges overcharges of use taxes on all used vehicles registered since 1976. On June 30, 1990, the potential loss from refunds of the vehicle license fees was estimated at \$800 million, and the potential loss from refunds of use taxes was estimated at \$556 million. The State intends to litigate this case to the United States Supreme Court if necessary.

The State is a defendant in *Kennedy Wholesale, Inc., v. Board of Equalization*. The suit alleges that the additional cigarette and tobacco product excise taxes approved by the voters are unconstitutional. On June 30, 1990, the potential loss from refunds of the additional excise taxes was estimated at \$862 million. This case currently is being reviewed by the California Supreme Court, after a favorable judgment to the State from the Court of Appeal. A decision on this case is not expected until late 1991 or early 1992.

The State is a defendant in *Metropolitan Life Insurance Co. v. State Board of Equalization*. The plaintiff seeks to have the California Supreme Court change its position in an earlier lawsuit wherein the court upheld the State's method of determining the tax on gross premiums. The case has been decided in the State's favor by the Court of Appeal, and Metropolitan Life Insurance Company is petitioning the California Supreme Court for review. Two related lawsuits, *Aetna Life Insurance Co. v. State Board of Equalization* and *Prudential Insurance Co. v. State Board of Equalization*, will be affected by the outcome in *Metropolitan*. Given the existence of other related matters, the potential loss to the State could amount to \$323 million.

The State is involved in two lawsuits seeking reimbursement for alleged state-mandated costs. In *Jesse R. Huff v. Commission on State Mandates*, the state director of finance is appealing a 1984 decision by the State Board of Control. The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students; however, funds have not been appropriated. The amount of potential liability to the State has been estimated by the Department of Finance at over \$1 billion. In a separate case, the State is a defendant in *Los Angeles Unified School District v. State of California*. In this case, the school district seeks reimbursement for expenditures that it has incurred to comply with state occupational safety and health administration law. Previously, the Board of Control decided that the State was not required to reimburse school districts for these costs. After an unfavorable judgment, the State is currently appealing the case to a court of appeal. The potential loss to the State has been estimated at \$1 billion.

In another case, the State is a defendant in *Long Beach Unified School District v. State of California*. In this case, the school district seeks reimbursement for voluntary desegregation costs incurred in the implementation of Department of Education guidelines. The years of reimbursement are from fiscal year 1977-78 and each fiscal year thereafter to the present. The district prevailed in the Superior Court, and the case has been decided by the Court of Appeal against the State. The judgment amounted to \$28 million with interest to date totaling \$34 million. A petition for review by the California Supreme Court is likely to be filed. The State anticipates that an unfavorable outcome will affect pending claims by other school districts, and the total loss could be in excess of \$200 million.

The State is a defendant in two cases seeking to prevent the State from making an audit adjustment to hospital providers after three years from the date of the final audit. In *Board of Supervisors of the County of Santa Clara v. Kizer*, which is only in the pleading stage, the State estimates a potential loss in excess of \$450 million if the case decision is adverse. The court

decided against the State in *Palmdale Hospital Medical Center v. Department of Health Services*, and an appeal has been filed. The State estimates a potential loss of approximately \$400 million if an adverse decision prevails.

The State is involved in two lawsuits related to contamination at the Stringfellow toxic waste site. In one suit, the State is one of approximately 150 defendants in *Penny Newman v. J. B. Stringfellow*, in which 4,000 plaintiffs are claiming damages of \$850 million arising from contamination at the Stringfellow toxic waste site. The State is a defendant because it chose the site and approved the deposit of toxic wastes. A conservative estimate of the State's potential loss ranges from \$250 to \$500 million. In a separate suit, *United States, People of the State of California v. J. B. Stringfellow, Jr.*, the State is seeking recovery for past costs of cleanup of the site and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, liability may be found to exist. Present estimates of the cleanup range from \$200 million to \$800 million.

The State is a defendant in *Atlantic Richfield Company, et al. v. State Lands Commission, et al.*, a suit arising from the State Lands Commission's refusal to approve a development project on five state oil and gas leases held by Atlantic Richfield. Atlantic Richfield claims damages of \$54,795 per day since May 27, 1987, resulting from this denial, and damages of \$793 million in the event of a permanent stoppage of development of the leases. The State is currently contesting the complaint.

The State is a defendant in the Long Beach petroleum antitrust litigation. This is a counterclaim suit in which several major oil companies are alleging that the City of Long Beach and the State Lands Commission failed to provide sufficient funding to adequately produce oil resources. In the event of an adverse outcome, the potential liability to the State could exceed \$100 million.

The State is a defendant in a coordinated action involving 3,500 plaintiffs seeking recovery for damages caused by the Yuba River flood of February 1986. The potential liability to the State in the event of an adverse outcome of the litigation has been estimated to be in excess of \$250 million.

#### B. *Federal Audit Exceptions*

The State receives substantial funding from the federal government in the form of grants and contracts. The State is entitled to these resources only if it complies with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; the State may spend these resources only for eligible purposes. If audits disclose exceptions, the State may incur a liability to the federal government.

#### C. *Insurance Program*

The State has elected, with a few exceptions, to be self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. Except for the University of California, workers' compensation benefits for self-insured agencies are initially paid by the State Compensation Insurance Fund. The State Compensation Insurance Fund estimated the liability for future workers' compensation claims against the State's self-insured agencies to be approximately \$622 million as of June 30, 1990. This liability is included in the accompanying financial statements in the General Long-Term Obligations Account Group. The University of California maintains self-insurance reserves for medical malpractice claims, workers' compensation, and certain other risks. Such risks are subject to various per-claim and aggregate limits, with excess liability coverage provided by an independent insurer. University management and general counsel are of the opinion that the outcome of such matters will not have a significant effect on the financial statements.

### **23. California State Lottery**

For the fiscal year ended June 30, 1990, lottery ticket sales totaled approximately \$2.48 billion. Of the total lottery ticket sales, lottery prizes, net of unclaimed lotto prizes, totaled \$1.21 billion (48.8 percent), net income to be distributed for educational purposes totaled \$929 million (37.5 percent), and lottery operating expenses totaled \$339 million (13.7 percent). The lottery prizes and annuities account consists of \$168 million in current and \$1 billion in long-term liabilities.

### **24. Appropriations Limit**

The State is subject to an annual appropriations limit imposed by Article XIII B of the state constitution. The state constitution establishes a limit on the growth of certain appropriations made from state tax revenues, adjusted annually for inflation and population growth. The state constitution imposes no limit on appropriations or funds obtained through nontax sources, such as from reasonable user charges or fees and bond proceeds. The state appropriations limit is also exclusive of certain appropriations such as debt service on voter-approved debt, debt existing when Article XIII B was adopted, and state subventions to local governments that are not restricted in their use. State appropriations to local governments without restrictions are considered tax proceeds for local entities, subject to each local entity's revenue and appropriations limit.

The appropriations limit is established each year in the budget act and is amended during the fiscal year for transfers of fiscal responsibility between the state and local governments. The budget act provides that any judicial action or proceeding to attack, review, set aside, void, or annul the revenue and appropriations limit must begin within 45 days of the effective date of the act. There were no such actions for fiscal year 1989-90.

The governor has reported that the state appropriations limit for fiscal year 1989-90 was \$29.318 billion. The governor also reported that the revenues subject to the limit for fiscal year 1989-90 were \$27.700 billion, which is \$1.618 billion under the appropriations limit.

In the year ended June 30, 1990, all tax revenues received were required to be appropriated under the provisions of Article XIII B or allocated to school districts within limits. The tax revenue in excess of the appropriations limit to be distributed to public schools and community colleges was limited to 4 percent of the minimum school funding level. Any excess tax revenues still remaining after these distributions to public schools and community colleges were required to be returned to the taxpayers within two years. Any funds not appropriated for specific purposes were appropriated to a special account for economic uncertainties in each fund.

In an election held in June 1990, the electorate approved an amendment to the state constitution that changes the state appropriations limit effective July 1, 1990. Among other changes, the measure changes the cost of living and population factors required to be used to calculate the limit and allows the State to reduce the minimum funding guaranteed for public schools and community colleges in low-revenue-growth years. Further, the measure provides that only excess tax revenues which cannot be reappropriated within the following year's limit will be considered excess revenue, and that half of all excess revenue must go to schools. This measure also excludes from the appropriations limit, appropriations for costs of natural disasters, appropriations financed by increases in transportation related taxes, and appropriations for fixed assets, including land and construction, with a useful life of ten or more years and a value which equals or exceeds \$100,000. The legislative analyst reports that the fiscal effects of this measure will, to a large extent, depend on future economic conditions in the State. However, the legislative analyst estimates that, as a result of the passage of this measure, the State's appropriations limit will increase by more than \$800 million in fiscal year 1990-91.

## **25. Subsequent Events**

On August 1, 1990, the State Treasurer's Office issued \$1 billion in notes which were redeemed on August 21, 1990, when \$4.1 billion in revenue anticipation notes were issued to fund the State's cash flow needs for fiscal year 1990-91. These notes will mature on June 28, 1991.

From July 1, 1990, to December 14, 1990, the State issued \$1.2 billion in general obligation bonds and approximately \$909 million in revenue bonds, and various authorities issued approximately \$334 million in no-commitment debt revenue bonds.

In the general election held November 6, 1990, voters approved the sale of \$1.2 billion of general obligation bonds.

## **STATISTICAL SECTION**

**STATE OF CALIFORNIA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION\***  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1990**  
**(IN THOUSANDS)**

	1982	1983	1984	1985	1986	1987	1988	1989	1990
General government...	\$ 1,236,446	\$ 1,179,961	\$ 1,443,012	\$ 1,718,147	\$ 2,157,385	\$ 1,880,521	\$ 1,842,331	\$ 2,081,579	\$ 2,741,287
Education .....	11,810,007	11,937,770	13,229,285	14,991,210	16,953,147	18,242,436	18,873,313	19,660,647	22,867,811
Health and welfare ..	12,562,103	12,489,066	13,276,927	14,154,000	14,554,960	16,499,778	17,040,861	19,539,017	22,856,943
Resources .....	578,747	512,442	632,579	599,616	743,931	766,707	765,176	1,409,351	1,356,665
State and consumer services .....	370,669	312,526	421,453	618,035	711,237	793,572	1,123,851	1,670,385	568,910
Business and transportation .....	1,692,272	1,954,682	2,338,762	2,912,834	2,823,357	2,999,779	3,304,988	3,367,150	4,097,360
Correctional programs	714,817	733,099	845,666	1,211,818	1,264,060	1,855,042	1,846,112	1,955,060	2,350,397
Property tax relief ...	1,313,515	1,351,061	1,070,154	944,850	925,750	993,548	1,011,781	949,699	948,896
Capital outlay .....	457,871	571,868	155,894	294,605	698,967	636,147	686,257	676,340	635,841
Debt service .....	218,092	284,346	342,899	375,829	444,942	638,535	678,340	856,538	984,791
Total .....	\$30,954,539	\$31,326,821	\$33,756,631	\$37,820,944	\$41,277,736	\$45,306,065	\$47,173,010	\$52,165,766	\$59,408,901

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

**STATE OF CALIFORNIA**  
**GENERAL REVENUES BY SOURCE\***  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1990**  
**(IN THOUSANDS)**

	1982	1983	1984	1985	1986	1987	1988	1989	1990
Taxes .....	\$19,703,728	\$20,335,164	\$23,261,462	\$26,274,712	\$27,746,989	\$30,650,517	\$31,784,962	\$36,743,408	\$38,468,384
Intergovernmental ...	7,107,839	7,481,043	8,982,156	8,935,870	9,500,748	9,804,735	9,532,594	11,226,909	13,533,050
Licenses and permits	933,158	829,918	902,430	1,224,057	1,237,717	1,275,597	1,389,586	1,440,119	1,526,473
Natural resources ....	450,996	370,253	401,727	516,017	427,120	167,422	225,340	119,456	147,251
Charges for services	52,282	120,668	106,251	202,392	212,560	274,388	237,164	258,984	306,318
Fees .....	235,968	322,918	640,053	422,103	588,422	627,867	784,597	907,562	1,103,325
Penalties .....	113,488	73,887	66,879	79,568	138,866	406,643	237,600	285,959	367,774
Interest .....	401,789	461,753	386,174	626,937	679,011	653,928	612,968	692,352	747,701
Other .....	172,804	419,525	98,349	149,565	208,656	429,706	225,105	281,422	532,317
Total .....	\$29,172,052	\$30,415,129	\$34,845,481	\$38,431,221	\$40,740,089	\$44,290,803	\$45,029,916	\$51,956,171	\$56,732,593

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

**STATE OF CALIFORNIA  
PERCENTAGE OF GENERAL LONG-TERM  
BONDED DEBT TO PER CAPITA INCOME  
FOR FISCAL YEARS ENDED JUNE 30, 1980 THROUGH 1990**

<u>Year</u>	<u>General Long-Term Bonded Debt (in Thousands)</u>	<u>Per Capita Debt</u>	<u>Per Capita Income</u>	<u>Percentage of Per Capita Debt to Per Capita Income</u>
1980 .....	\$1,755,886	\$ 74.68	\$11,049	.68%
1981 .....	1,685,352	70.13	12,173	.58
1982 .....	1,791,913	73.04	13,064	.56
1983 .....	2,074,159	82.79	13,507	.61
1984 .....	2,234,900	87.45	14,548	.60
1985 .....	2,771,642	106.31	15,562	.68
1986 .....	3,388,590	126.94	16,375	.78
1987 .....	3,366,735	123.15	17,283	.71
1988 .....	3,248,925	115.96	18,260	.64
1989 .....	4,115,450	143.59	19,258	.75
1990 .....	5,168,355	175.36	20,354	.86

Sources: State Controller's Annual Reports, California Department of Finance estimates (as revised), and the general purpose financial statements of the State of California.

**STATE OF CALIFORNIA**  
**PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1982 THROUGH 1990**  
**(AMOUNTS IN THOUSANDS)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures*</u>	<u>Percentage of Debt Service to Total General Expenditures</u>
1982 .....	\$ 86,967	\$131,125	\$218,092	\$30,954,539	0.7%
1983 .....	152,754	131,592	284,346	31,326,821	0.9
1984 .....	184,259	158,640	342,899	33,756,631	1.0
1985 .....	203,258	172,571	375,829	37,820,944	1.0
1986 .....	233,052	211,890	444,942	41,277,736	1.1
1987 .....	271,855	366,680	638,535	45,306,065	1.4
1988 .....	278,610	399,730	678,340	47,173,010	1.4
1989 .....	273,475	583,063	856,538	52,165,766	1.6
1990 .....	322,095	662,696	984,791	59,408,901	1.7

\* Includes general, special revenue, and capital projects funds.

Source: The general purpose financial statements of the State of California.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE POPULATION  
CALENDAR YEAR 1940 THROUGH CALENDAR YEAR 1989**

<u>Year</u>	<u>United States Population</u>	<u>Average Annual Percentage Increase</u>	<u>California Population</u>	<u>Average Annual Percentage Increase</u>	<u>California as a Percent of United States</u>
1940.....	132,457,000		6,950,000		5.2%
1950.....	151,868,000	1.5%	10,643,000	5.3%	7.0
1960.....	179,979,000	1.9	15,863,000	4.9	8.8
1970.....	203,984,000	1.3	20,039,000	2.6	9.8
1980.....	227,255,000	1.1	23,780,000	1.9	10.5
1981.....	229,637,000	1.0	24,267,000	2.0	10.6
1982.....	231,996,000	1.0	24,786,000	2.1	10.7
1983.....	234,284,000	1.0	25,309,000	2.1	10.8
1984.....	236,477,000	.9	25,780,000	1.9	10.9
1985.....	238,736,000	1.0	26,358,000	2.2	11.0
1986.....	241,107,000	1.0	26,999,000	2.4	11.2
1987.....	243,427,000	1.0	27,655,000	2.4	11.4
1988.....	245,785,000	1.0	28,323,000	2.4	11.5
1989.....	248,239,000	1.0	29,063,000	2.6	11.7

Sources: Current Population Reports issued by the Bureau of the Census of the U.S. Department of Commerce, and California Department of Finance estimates (as revised).

**STATE OF CALIFORNIA**  
**COMPARISON OF NATIONAL WITH STATE PERSONAL INCOME**  
**CALENDAR YEAR 1970 THROUGH CALENDAR YEAR 1989**

<u>Year</u>	<u>United States</u>		<u>California</u>		<u>California as a Percent of United States</u>
	<u>Personal Income (in Millions)</u>	<u>Percent Change</u>	<u>Personal Income (in Millions)</u>	<u>Percent Change</u>	
1970.....	\$ 831,800		\$ 95,039		11.4%
1971.....	888,500	6.8%	100,865	6.1%	11.4
1972.....	976,200	9.9	110,341	9.4	11.3
1973.....	1,095,300	12.2	121,784	10.4	11.1
1974.....	1,204,900	10.0	136,194	11.8	11.3
1975.....	1,308,500	8.6	149,700	9.9	11.4
1976.....	1,447,000	10.6	167,708	12.0	11.6
1977.....	1,602,900	10.8	187,133	11.6	11.7
1978.....	1,807,000	12.7	214,938	14.9	11.9
1979.....	2,028,500	12.3	244,775	13.9	12.1
1980.....	2,258,400	11.3	276,107	12.8	12.2
1981.....	2,520,900	11.6	308,731	11.8	12.3
1982.....	2,670,800	5.9	328,033	6.3	12.3
1983.....	2,838,600	6.3	352,438	7.4	12.4
1984.....	3,108,800	9.5	389,183	10.4	12.5
1985.....	3,325,300	7.0	422,608	8.6	12.7
1986.....	3,526,200	6.0	452,973	7.2	12.8
1987.....	3,766,400	6.8	491,393	8.5	13.0
1988.....	4,070,800	8.1	530,968	8.1	13.0
1989.....	4,384,300	7.7	571,607	7.7	13.0

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised).

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE  
PER CAPITA PERSONAL INCOME  
CALENDAR YEAR 1970 THROUGH CALENDAR YEAR 1989**

<u>Year</u>	<u>United States</u>		<u>California</u>		<u>California as a Percent of United States</u>
	<u>Per Capita Personal Income</u>	<u>Percent Change</u>	<u>Per Capita Personal Income</u>	<u>Percent Change</u>	
1970 .....	\$ 4,051		\$ 4,746		117.2%
1971 .....	4,296	6.0%	4,958	4.5%	115.4
1972 .....	4,665	8.6	5,360	8.1	114.9
1973 .....	5,182	11.1	5,836	8.9	112.6
1974 .....	5,648	9.0	6,433	10.2	113.9
1975 .....	6,073	7.5	6,951	8.1	114.5
1976 .....	6,651	9.5	7,646	10.0	115.0
1977 .....	7,294	9.7	8,373	9.5	114.8
1978 .....	8,136	11.5	9,411	12.4	115.7
1979 .....	9,033	11.0	10,526	11.8	116.5
1980 .....	9,919	9.8	11,603	10.2	117.0
1981 .....	10,949	10.4	12,724	9.7	116.2
1982 .....	11,480	4.8	13,238	4.0	115.3
1983 .....	12,098	5.4	13,927	5.2	115.1
1984 .....	13,114	8.4	15,098	8.4	115.1
1985 .....	13,896	6.0	16,035	6.2	115.4
1986 .....	14,597	5.0	16,782	4.7	115.0
1987 .....	15,423	5.7	17,749	5.8	115.1
1988 .....	16,513	7.1	18,915	6.6	114.5
1989 .....	17,596	6.6	19,929	5.4	113.3

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised).

**STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE FOR  
RESIDENT POPULATION AGE 16 AND OVER  
CALENDAR YEAR 1973 THROUGH CALENDAR YEAR 1989**

<u>Year</u>	<u>Labor Force Trends</u> (in Thousands)			<u>Unemployment Rate</u>	
	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>United States</u>	<u>California</u>
1973 .....	8,910	8,286	624	4.9%	7.0%
1974 .....	9,317	8,638	679	5.6	7.3
1975 .....	9,539	8,598	941	8.5	9.9
1976 .....	9,896	8,990	906	7.7	9.2
1977 .....	10,367	9,513	853	7.1	8.2
1978 .....	10,911	10,137	775	6.1	7.1
1979 .....	11,268	10,566	702	5.8	6.2
1980 .....	11,584	10,794	790	7.1	6.8
1981 .....	11,812	10,938	875	7.6	7.4
1982 .....	12,178	10,967	1,210	9.7	9.9
1983 .....	12,281	11,095	1,187	9.6	9.7
1984 .....	12,610	11,631	980	7.5	7.8
1985 .....	12,981	12,048	934	7.2	7.2
1986 .....	13,332	12,442	890	7.0	6.7
1987 .....	13,737	12,946	791	6.2	5.8
1988 .....	14,133	13,385	748	5.5	5.3
1989 .....	14,518	13,780	737	5.3	5.1

Source: California Employment Development Department (as revised).

**STATE OF CALIFORNIA  
PERSONS EMPLOYED IN  
PRINCIPAL MANUFACTURING INDUSTRIES  
CALENDAR YEAR 1982 AND CALENDAR YEAR 1989  
(IN THOUSANDS)**

<u>Industry</u>	<u>1982</u>	<u>1989</u>	<u>Percent Change</u>
Lumber and wood products .....	46.3	71.4	54.2%
Textile mill products .....	12.4	16.8	35.5
Printing and publishing .....	124.5	163.4	31.2
Apparel .....	102.4	131.1	28.0
Rubber and miscellaneous plastic products .....	61.2	76.1	24.3
Furniture and fixtures .....	49.0	60.4	23.3
Transportation equipment .....	266.3	303.9	14.1
Chemicals and allied products .....	65.7	74.0	12.6
Stone, clay, and glass products .....	50.4	56.7	12.5
Paper and allied products .....	37.3	39.6	6.2
Fabricated metal products .....	138.8	139.4	0.4
Food and kindred products .....	182.5	179.2	(1.8)
Primary metal products .....	47.6	44.3	(6.9)
Petroleum and coal products .....	31.7	29.1	(8.2)
Leather and leather products .....	10.5	6.2	(41.0)
Electric and electronic equipment .....	358.0	268.7	*
Machinery, except electrical .....	227.6	222.6	*
Instruments and related products .....	102.4	242.0	*
Miscellaneous .....	43.2	37.4	(13.4)
Total .....	<u>1,957.8</u>	<u>2,162.3</u>	10.4

\* 1989 data not comparable with 1982 data because of industry classification changes.

Sources: California Department of Finance and the California Employment Development Department

cc: **Members of the Legislature**  
**Office of the Governor**  
**Office of the Lieutenant Governor**  
**State Controller**  
**Legislative Analyst**  
**Assembly Office of Research**  
**Senate Office of Research**  
**Assembly Majority/Minority Consultants**  
**Senate Majority/Minority Consultants**  
**Capitol Press Corps**